PUBLIC UTILITY ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

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Lindseth Is Named President of Edison Electric Institute

Head of Cleveland Electric Illuminating Co. cites Capitalistic System as big factor in his success.

Elmer Lincoln Lindseth, President of the Cleveland Electric Illuminating Co., Cleveland, Ohio, was elected President of the Edison Electric Institute, electric industry trade association, at the Institute's 17th Annual Convention at Atlantic City, N. J., on June 1, 1949. Succeeding retiring Institute President Ernest R. Acker, who is President of Central Hudson Gas and Electric Corp., Poughkeepsie, N. Y., Mr. Lindseth, during his 12-month tenure of office, will be the top spokesman for the bulk of the nation's business-managed electric power companies.

Elmer L. Lindseth

Mr. Lindseth, who was born in Chicago, Feb. 12, 1902, and whose parents had come to the United States from Sweden shortly before the turn of the century, says

(Continued on page 44)

See pages 25-28 for pictures taken at Annual Field Day of the Bond Club of New York

Outlook for Utility Financing

By HAROLD H. YOUNG*

Partner, Eastman, Dillon & Company
Members, New York Stock Exchange

Investment banker reviews utility financing developments, and expresses confidence in outlook. Sees danger in excessive mortgage financing and urges more preferred and common stock financing. Advises liberal dividend policy as aid in common stock financing, together with use of investment bankers in obtaining subscriptions to common stock. Scores competitive bidding as uneconomical and pledges continued cooperation of investment bankers in promoting sound utility financing.

The utility industry has a big job ahead in connection with financing but let me say at the outset that I am convinced that success is assured if the task is approached aggressively. The problems involved can be simplified somewhat through cooperation and mutual understanding between the electric industry and the investment bankers. I hope I may be able to contribute a few observations today which may be helpful in this connection.

Harold H. Young

The most obvious topic to mention first is senior financing. Sales of mortgage bonds represent the least of your worries. There is no let-up in sight in the demand for good public utility mortgage bonds. This is partly because of today's pattern of savings. Individuals find it increasingly difficult to set aside any substantial sums over and above their operating expenses and taxes, but they are carrying large amounts of life insurance. Retirement income plans are popular. Many corpo-

(Continued on page 24)

*An address by Mr. Young before 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1949.

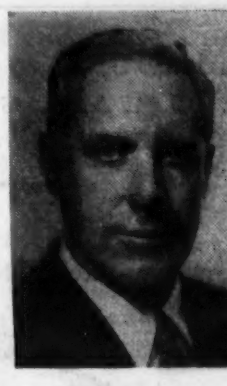
Progress and Problems Of Electric Utilities

By ERNEST R. ACKER*

Retiring President, Edison Electric Institute
President, Central Hudson Gas & Electric Corp.

Addressing convention of Edison Electric Institute, Mr. Acker reports practical end of threatened power shortage of last year and building up of additional power reserves under a vast expansion program. Sees need for many utilities to resume sales extension efforts and higher rates to insure sound equity financing. Reviews progress of Federal Government in power field.

We are met in a period of continuing economic and social change which has imposed upon us some of the most far-reaching problems in the history of the industry. For this reason we are met with serious purpose and a firm resolve to fulfill our public responsibility, to protect our investors, and to preserve for the employees of our industry the freedom of opportunity which has inspired them to the high accomplishments of the past. It is our purpose to review the record of our progress in these regards and, through the free interchange of information which is so characteristic of our industry, to take counsel as to the charting of our future course.



Ernest Acker

In opening the program of this

(Continued on page 31)

*Presidential Report of Mr. Acker to the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., May 31, 1949.

EDITORIAL

As We See It

A Test That Is Ahead

We should doubtless be regarded in some quarters as extremist if we were to say that Mr. Murray cracked the whip last week and the galley slaves sprang cringing to their oars. We probably could find a more temperate mode of describing what has happened. Yet, it would be difficult if not impossible to find in all our history so abject a yielding to a political "boss"—at least in public. Perhaps we shall presently find that we should have said so abject an *appearance* of yielding, for it is not altogether clear as yet precisely what Congress is willing to do in this matter of labor legislation, Murray or no Murray. The fact remains, however, that Congressional elements known to be quite out of sympathy with Mr. Murray on this issue hastened to yield to the combined pressure of this labor chief and the President to give first consideration to him and his demands, leaving other and heretofore regarded as more vital and urgent business to fare as best it may.

Of course, this is not the first time that the President has suddenly and quite unexpectedly shifted his tactics. Nor is it the first time that Congress has felt that it had to do the President's bidding. If, however,

(Continued on page 33)

The Business Picture

By HON. JOHN W. SNYDER*

Secretary of the Treasury

Stating we can today look forward to expanding business equally as promising as in pioneer days, Secretary Snyder bases assertion on purchasing power of enlarged population, creation of new and growing communities, together with new industries, as well as rising living standards. Cites $75 billion in new postwar construction as factor in business expansion and stresses sound position of financial institutions and unprecedented volume of liquid savings of people.

I have been most interested in the note of confidence in the economic and financial picture, emanating from the various bankers' conferences this year. I have found these reports particularly reassuring, since you bankers have generally been the first members of the business community to detect approaching economic adjustments.

John W. Snyder

Bankers must be able to appraise much more than their customers' needs. They must be specialists in the whole broad field of business analysis. They must be able to interpret the changes occuring in business conditions, not only in their own communities, but in the Nation.

The requirements for successful banking have changed greatly since bankers in this part of the West began doing business in the early days as a side line in connection with the pioneer mercantile establishments. Banking techniques, in those days, were fairly simple. As recently as the 1890s, it is interesting to recall, there were only a few small banking offices in this area and most money transactions were in silver and gold.

Today, you bankers are responsible for the guardianship of hundreds of millions of dollars of funds entrusted to you by your depositors. To stay in business, you must make money on these deposits. Your investments must be sound, and yet—generally speaking they must be capable of ready conversion into cash.

There are many financial pitfalls in the performance of obligations of this magnitude in the complex business world of today. A modern banker must find his way past all of them.

Multiplicity of Banking Laws

Moreover, bankers must make their decisions in the light of a multiplicity of laws and regulations which would have astounded and bewildered the founders of many of the institutions which you in this audience represent.

I have on my desk in the Treasury, for example, the 463-page volume of the last issue of "Federal Laws Affecting National Banks." In the comparable volume for 1900, only 63 pages were needed to cover the ground. This is just one illustration of the complicated nature of modern financial operations, as compared with the situation a half, or even a quarter of a century ago.

Not only banking, but the entire life of the country has seen vast changes in the past 50 years. We have passed from a predominantly rural and small-town economy to a highly complex urban and industrial civilization.

In this part of the West, the railroads were the turning point. They spelled the end of the self-sufficient economy of your pioneers. But the energy and determination which the early setters showed in grappling with the problems of their environment still symbolize to Americans everywhere the pioneer spirit of triumph over physical and economic hardship.

Today, I believe that we can look forward to an era of expanding national opportunities equally as promising as those which began with the opening of the West.

This is a strong statement. It is made with full realization of the immense strides taken by the Western States in every decade of the last 100 years. But it is a statement which I believe is borne out by the plain facts of our present situation. Let us look at that situation.

Prospects for Further Progress

As soon as we try to line up the major factors in the current state of affairs, two fundamental questions immediately arise: First, what are the prospects for further progress and further achievement in this country. Second, what is the significance of the current adjustments now going on in business conditions throughout the country?

Let us consider the first question—our prospects for the future, I believe that we have largely lost sight of our future prospects in current discussions of the short-term business situation.

To begin with, we have almost 17 million more people in our population today than we had before the war. This is an increase as great as of six cities the size of New York, Chicago, Philadelphia, Detroit, Los Angeles, and Cleveland—our six largest in 1940—had been added to the population in the short space of 10 years.

Moreover, there have been vast shifts in the population as between different areas of the country. Our newly expanded communities need new schools, hospitals, roads, shopping centers, municipal service plants. More than that, many existing facilities—largely neglected during the war—have yet to be repaired, modernized, or replaced.

And, finally, our entire population has come to demand a continually improving standard of living. Food consumption, alone—in terms of quantity—meat, eggs, fruit, and so on—is 10% higher per person now than the average in the years 1935 to 1939.

All of these facts point to a continuing ground swell of demand for the basic essentials of living, which will contribute to active business in the near future.

New Techniques

But there are even stronger elements in our present business situation. We have in our hands today a vast array of new techniques and new processes which undoubtedly hold the promise of future industrial revolutions as great as those brought about—for example—by the airplane and the automobile. Under the stimulus of wartime necessity, our scientists pushed far ahead of the ability of peacetime industry to explore the possibilities of the new findings. I am willing to hazard the guess that not even our most advanced atomic physicists are able to foresee the transformations which atomic energy—to take only one example—may make in the whole industrial life of the Nation.

Our great chemical and rubber industries, likewise, hold dramatic possibilities for the development of new markets and new products.

Many new products — such as penicillin and streptomycin in the medical field, and the new insecticides in the agricultural area—are already widely accepted as necessities. Yet, they were unknown outside of laboratories a few years ago. In the field of antibiotics, aureomycin, chloramthenicol, and bacitracin are just three of the new discoveries which promise a rapid broadening of demand in this field.

The rubber industry, too, is experiencing dynamic changes. This industry for volume production used to lean very heavily on tires and other transportation equipment. Now, an enterprising and resourceful leadership has opened up new outlets—and discovered new profits — in diversification. An example of recent experimentation and market research which is paying big dividends in the industry is foam rubber. This product is already in demand for cushions, mattresses, unholstery, and so on. This year, in fact, foam latex cushions are being used in all makes of passenger automobiles, even in the lower-priced models—a striking illustration of the extensive market opened up by just one new product.

Many other uses for rubber are in the experimental stage. One current field of investigation—the introduction of rubber powder admixed with asphalt to improve road surfacing material — may hold particular promise as an important new outlet for the rubber manufacturing industry.

The field of electronics — to take another example — offers exciting possibilities. Today, the instantaneous preparation of a meal by means of electronic devices is odd enough to be featured by the news services. Yet, only a little more than 50 years ago, the news that a stove in a millionaire's home cooked entirely by means of electricity was just as novel a piece of information.

Television is, of course, an example familiar to all of us. The radio industry was among the first to run into a buyers' market. It responded with the introduction of television. Research had been going on for some years, but when peole were grabbing old model radios off the production lines as fast as they could be turned out, there was no incentive to change. It took the challenge of a lagging market to bring mass production of a new product. In 1946, around 6,400 television sets were produced. By 1948, the yearly output was 975 thousand. This year, production estimates run to something like 2 million. Yet, the television indus-

(Continued on page 46)

*An address by Secretary Snyder before the Annual Convention of the Utah Bankers Association, Sun Valley, Idaho, June 7, 1949.

INDEX

Articles and News

Regular Features

See pages 25-28 for pictures taken at Annual Field Day of the Bond Club of New York.

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They Who Will Not See

Appellate Court reinstates complaint of Otis & Co. against SEC. Holds Commission's position untenable. Reprimands SEC for doctrine described as dangerous in its application and implications. Sees as a shocking proposition the SEC's arrogation of unbridled power to make irresponsible and unreviewable findings. Court's opinion constitutes important precedent in field of securities.

We have remonstrated with the Securities and Exchange Commission and with the National Association of Securities Dealers for their combined unreasoning entry into a private dispute arising out of an underwriting agreement between Otis & Company and Kaiser-Frazer.

Our attitude is that the dispute is a private one between reputable litigants who have placed their rights and the equities before the courts for adjudication and that therefore the administrative bodies should have adopted a neutral and strictly hands off policy until the courts render judgment.

We ourselves have not assumed to take sides. We said the determination is for the courts to make and under all the circumstances the persistent efforts of the SEC and the NASD to discipline Otis & Company served neither the public interest nor the interest of investors and came dangerously close to an exhibition of persecution.

[See page 4 of this issue for additional comments from dealers relative to the NASD.]

In our editorial of Nov. 18, 1948, we condemned the attempts of the SEC to pierce the principle of privileged communications between attorney and client in the absence of a *prima facie* showing of fraud and we recalled that the decision of District Court Judge Morris was a barrier to these attempts.

The intensity of our antipathy to this ill-advised foray of the SEC and the NASD is made clear by the titles of our editorials. Thus on Sept. 9, 1948, we wrote "Patrolling Partners Stymied"; on Nov. 18, 1948, "Temporary Stay of Administrative Juggernaut," and on Feb. 3, 1949, our editorial was headed "Administrative Intrigue."

The equation seemed simple enough. Where private parties had fallen out and were in litigation to determine their respective rights, what right did any administrative body have to enter the dispute for the purpose of lending color to the claims of one or the other? Our answer unequivocally is "None!"

Our role became prophetic. On Nov. 18, 1948, we said "Without passing upon any of the merits of the Kaiser-Frazer, Otis & Company controversy, we, in a sense, regard Otis & Company a champion for the entire securities industry. The victory it has already achieved is, as a precedent, the victory of all brokers, dealers and underwriters. All may now be certain that in the absence of a *prima facie* showing of fraud the Commission may not pierce privileged communications between attorney and clients. That Otis & Company has the will and the means to fight is a happy augury, for these may result in other important precedents."

We now come to one of these important precedents fresh from the United States Court of Appeals for the District of Columbia Circuit through the medium of an opinion by Judge Wilbur K. Miller.

On Nov. 10, 1948, Otis & Company sued the SEC in the United States District Court for the District of Columbia to enjoin it from proceeding pursuant to certain orders "* * * insofar as those orders relate to or involve the termination of the underwriting agreement between the plaintiff and Kaiser-Frazer Corporation, or the alleged instigation of a stockholder's derivative suit for the alleged purpose of avoid-

(Continued on page 38)

Points on Successful Salesmanship

By DOUGLAS LAIRD*
Vice-President, National Securities & Research Corporation

Though pointing out salesmanship is simple, Mr. Laird calls attention to factors which lead to success in this field. Counsels salesmen not to be too technical, but have all necessary knowledge required to understand product or service. Holds security salesmanship is essential to our capitalistic economy, since securities are bought only as "considered puchases" and not by mere reflex action. Defends high rewards for salesman and outlines steps in successful selling as: (1) getting attention; (2) creating interest; (3) creating desire; and (4) getting action.

Selling is a peculiarly simple thing. You probably found out by listening to the various speakers that they just all talk about the same things. There are very few points in selling, so we reiterate and reiterate, and probably its greatest value is that it proves that few rules are very necessary.

Douglas Laird

We have read a lot recently about the buyer's market returning to general industry, and it is generally true, because for many years the selesmen in America has been nonexistent. It has been the scarcity of articles that has sold them, not salesmanship, with the result that salesmanship has to be re-developed in America, and I understand that we are short some four or five million salesmen. So don't think you are wasting your time in studying salesmanship, whether it is applied to securities or anything else, because it is a fundamental thing. As a matter of fact, no matter what business or profession you are in, you are a salesman. You are either a good salesman or a bad salesman or a mediocre salesman, but you are a salesman, and we all have to sell what we have, whether it is our professional services or something else.

Actually, a buyer's market is a salesman's dream, because unless you do have a buyer's market, there isn't any necessity for salesmanship. So we all ought to look upon the necessity of salesmanship as both a challenge and on opportunity.

I noticed in the "Wall Street Journal" the other day a little article about college boys, and it says, "After Commencement, fewer openings await this year's bumper crop of college grads. Big companies cut hiring, shop around," and it continued, "Wanted: More Salesmen." Then down at the bottom, after explaining all the problems, it says, "Bright note: If a student is hunting a sales job, he is on the right track; everybody wants salesmen." And that is the business we are in, so it is the best profession or business we could possibly be in at this time.

So far as the investment business is concerned, there is even a greater need for salesmen than I have ever known since I went into it in 1920, after World War I. I got some figures from the State of Massachusetts about a year ago for a talk I was giving in Pennsylvania. These figures came from the Securities Commissioner in Boston and they showed that in 1930 there were 5,194 registered investment salesmen in Massachusetts. In 1947, there were 2,242 salesmen, so that they were off 57%. Even in 1937, there were 3,292 salesmen as compared to 2,242 in 1947, off 32%. So you can see that there is a great need for salesmen in the investment business.

Now, at the same time that this has been happening, we have had a terrific increase in the raw material we deal in, which is money. The number of dollars available for everything, for the purchase of automobiles and goods, for investments or anything else, has increased tremendously. So that we have much more capital available for investment and so few security salesmen competing for the business.

There is a play running in New York just now called "The Death of a Salesman," and I understand it is the top box office attraction. About three or four weeks ago, I went up to the Sales Executives Club in New York, to which I belong, and heard a talk by Mr. Davis, Vice-President of the Ford Motor Company. He was telling of their campaign for getting Ford cars sold again instead of being bought, and he said that after seeing that play, he thought we ought to put on a play called "The Return of a Salesman." For that is the position we are in today.

Salesmanship is absolutely essential to success at any time when the supply of something exceeds the demand. And it is only when the demand exceeds the supply that salesmanship is not necessary. You often hear the expression that a bull market makes wonderful salesmen. When the people just take it away from us, we are swell, and we run up a wonderful gross.

Don't Be Too Technical

I think it is a good time to mention that I believe if you are going into the distribution end of the business, you should try as soon as possible to forget most of the technical information that you learned. That may be a strange thing to say, but you can't sell efficiently if you are too technical. I don't mean you should be ignorant. I am a great believer in having knowledge. But whether it is an automobile you are selling, or what it is, try to forget the technicalities and remember you are a salesman.

Another point is that it is easier to become a salesman. I would say from my experience with our own management department that it takes something like 15 to 20 years to develop a good analyst, and I have seen very good salesmen developed in 15 or 20 days. You either have the ability or you haven't, and development is not hard.

Back in 1920—as early as that—I have an organization in New York or about 200 salesmen. It was very successful and I got very conceited, as a young man will do if success comes too easily and he makes too much money. I thought that I was a regular maker of salesmen. I found after a while that God made salesmen, and I was damn lucky when I found them. Anyway, the principal thing to remember is that we get paid for sales and not for knowledge. And some of us get so technical and insist on going around telling people how much we know, that we give out a lot of information, but we don't get the business.

During the war, at our staff meetings every week, we used to go over the list of critical shortages, such as lead and sheet steel and copper, and all the different things that were holding industry back because they couldn't get them. Nothing went on the critical shortage list unless it was something that was definitely holding business back. And one by one, after the end of the war, these cretical shortages got cut off the list. Finally, sheet steel was cut off, in spite of Mr. Truman wanting to put the government in the steel business. And now, the only critical shortage in this country today, as I see it, is salesmanship.

Is Security Salesmanship Essential?

The last time I was here I discussed the question, "Is salesmanship essential in the distribution of securities?" And I just want to say again, and repeat and repeat, *Yes*, it is an absolute essential in distribution, no matter what the product is, any time that the supply is greater than the demand. And salesmanship is the highest paid of all professions.

One time, somebody said to me, "If salesmanship is so necessary, what about the doctors and lawyers and dentists? They don't have any salesmen and their waiting rooms are packed. Go into a doctor's office and there are 20 or 25 people sitting around begging to be waited on. They don't use any salesmen." In other words, if your product is good enough, you don't need salesmen. If you build the best mousetrap

(Continued on page 34)

*A lecture by Mr. Laird, one of two, the 14th of a series in a course on Investment Salesmanship, sponsored by Boston University and the Boston Investment Club, Boston, Mass., May 3, 1949.

More Dealers Explain Why They Are Opposed to the NASD

Newly published expressions, with few exceptions, again point up fact that majority of industry are opposed to the NASD and favor its abolition.

In publishing today some more of the comments made by dealers incident to the poll conducted by the CHRONICLE, we are again impressed by the overwhelming evidence of the extent of the opposition within the securities industry towards the National Association of Securities Dealers. As was true of the expressions carried in previous issues, the great majority feel that the organization is a dismal failure insofar as it has made any contribution to the welfare of either its members or the securities business. Indeed, the consensus is that the entire industry would be better off were the NASD abolished. And as many members have stated, they are forced into membership because of the club of compulsion wielded by the NASD through the rule forbidding trade discounts to nonmembers.

SMALL MISSOURI TOWN

Chief complaint is that the NASD does nothing for the fees we pay them. They do not seem to have a grasp of the problems of the dealer, especially the small dealer. They seem too much to curry favor with the SEC and cater to the big companies. The small fellows are being squeezed out because we have nothing to sell—except those on the New York Stock Exchange and here we can charge only one-half of the N. Y. commission, which does not pay us for the time we spend looking things up for our clients and watching their securities after they buy. May spend hours going over Standard & Poor with a client. Then we execute a buy order and we get probably $3.00 (one-half of this goes to the salesman and one-half to the company). Then we have to watch this for possibly five years before the client sells. You see this is not profitable. We formerly did a lot of government bond business but the government has pushed us out of that. Nearly all of our over-counter business has gone because the securities which we sold have either been paid off or refunded into such low interest rate issues that our clients will not buy them. Also most of the bonds have been called and new issues sold direct to insurance companies (Springfield City Water bonds for illustration). If the NASD wants to serve its members it should wake up.

ST. LOUIS, MO.

The cost of doing business should be taken into account. Under existing conditions no consideration is given to such costs as the 5% rule applies to business which is obtained over the telephone as it does to where travelling, long distance telephone and other expenses are entailed. The whole theory of limiting "mark-up" is erroneous.

ST. LOUIS, MO.

So that you understand the scope of our activities, our firm has around 25 employees and have been in business many years. To begin with, the 5% mark-up rule is un-American and should not be a rule or law, unless all businesses are limited as to profit, whether manufacturing, professional or otherwise. I happen to be an individual who is emphatically in favor of laws, rules and regulations and abide by them when instructed. It is unfortunate that the Maloney Act was created at the time it was. The good have always suffered with the bad, but if a survey were made in any business, I'd question whether the bad would be more than 5% and I think it is unfair to ask the good to take the medicine that the bad should have.*

ST. LOUIS, MO.

I feel the NASD has done a fair job considering the circumstances. If all the people in our business held to a high standard of ethics we'd need no regulation, but, it seems difficult to raise a number of dealers to a high plane.

ST. LOUIS, MO.

We favor continuation of the NASD subject to revisions of the Association and the SEC.

SMALL MISSOURI TOWN

Page 1—No. 3. These so-called routine examinations are usually a waste of time. An efficient organization is a smooth running one. Routine examinations disrupt the entire bookkeeping department and cause an undue waste of time. No. 4. A very undemocratic practice.

KANSAS CITY, MO.

I am a member of the district committee, and in my opinion the organization is a constructive influence in the industry in virtually every respect. Certainly the type of regulation we have is infinitely more desirable than regulation from outside the industry. Your campaign is ill-advised and imprudent, in my judgment.

OMAHA, NEB.

The industry must at least go through the mechanics of policing itself or being policed by the "Brass"—the little Joe Stalins from Washington, D. C. I would prefer to have my competitors (scoundrels?? that they are) sit in judgment of me than a government appointee. Maybe when it happens to our firm I will have different views.

OMAHA, NEB.

Think NASD tends to keep the industry clean of the sharp dealers who impose on trusting accounts.

SMALL NEBRASKA TOWN

We belong to the NASD because we have to. It is not a democratic representative organization. Who the hell has the real right to tell us we should make 2% or 10%? Actually the 5% is O.K. but I don't like the rule. Maybe we don't understand the

*Commented Anonymously.

(Continued on page 40)

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The trend of over-all industrial production continued to decline slightly in the week and to reflect a moderate drop from the high level of the corresponding week in 1948.

While scattered labor disputes prevailed, there were none which materially hampered total output the past week.

With regard to the nation's employment situation total claims for unemployment insurance in the week ended May 21 continued to be substantially above the low level of a year ago.

* * *

Discussing the present downward tendency of business and industry here in the United States, the First National Bank of Boston in the May 31 issue of its "New England Letter," states:

"The postwar deflation is definitely under way. As a matter of fact, adjustments began as early as 1946 in luxury goods. Then several other lines joined the procession—machine tools, rubber tires, radios, textiles, shoes, trucks, furniture, household equipment and the like."

"Until quite recently," the "Letter" observes, "it was a sort of piecemeal, rotating adjustment process, but now it has been extended on a broad front and practically all lines are in a period of correction."

"This," it states, "is a natural and healthy development as it not only helps to alleviate maladjustments, but the unleashing of competitive forces serves as a spur to make management and labor work harder and turn out more goods at less cost, which is the key to American progress."

Continuing, it says, "So far, the downward trend on an over-all basis has been moderate. Industrial production, as reflected by the Federal Reserve index, has dropped almost 10% from the postwar peak reached in the late fall of 1948. The underlying reason for the decline is that the war-created demand has been largely satisfied and shortages are rapidly disappearing. Wholesale commodity prices have turned downward and are 8% below the postwar peak."

Touching upon the course of business loans, the "New England Letter" has this to say:

"Reflecting the decline in commodity prices and in inventory accumulation, business loans have been sharply reduced. For the first four months, the decline in business loans of reporting member banks aggregated $1,200,000,000, as compared with a reduction of $486,000,000 for the same period in 1948. Repayments of loans were made by cash surpluses or from funds obtained through the sale of securities."

With reference to consumer requirements, it notes that "consumers, having taken care of their most urgent needs, are spending less. There is a tendency to hold back in anticipation of still lower prices. In most lines, it is only when it is apparent that the price decline has run its course with a reversal in trend in prospect that buyers are inclined to buy beyond immediate requirements."

Concluding, it adds: "Business spending has likewise slackened. The estimated outlays for plant and equipment for the first six months of this year will be below the second half of 1948. Furthermore, it is estimated that the second half of this year will be below the same period of 1948. This would be the first time in the postwar period that a year-to-year decline has taken place."

* * *

In anticipation of the Memorial Day holiday week-end, consumers increased their purchasing slightly during the period ended on Wednesday of last week. In the two days following the holiday numerous promotions helped to sustain the large volume of retail sales. Total retail dollar volume was slightly below that of the comparable week last year.

There was a slight dip in the total dollar volume of wholesale orders in the week, which was moderately below the similar week in 1948. Early bookings of fall merchandise compared favorably with those of a year ago. Collections were generally more prompt than in previous months.

STEEL OUTPUT SLUMPS TO 89.1% IN CURRENT WEEK TO TO RECORD A NEW 1949 LOW

Steel consumers are price conscious and will remain so for some time, applying pressure anywhere they can to cut their steel costs. However, there is little chance that they can depress the base prices of steel in the immediate future, according to "The Iron Age," national metalworking weekly.

Steel users got a taste of lower steel costs earlier this year when Gray market prices disappeared completely, conversion deals faded away overnight in the majority of cases and premium steel prices, slightly more than regular mill prices came to an end when demand started to slip. In many cases passed on these savings in the form of lower prices have been passed on to their customers. Now they are probing to see where they can cut costs more when competition gets really rough, this trade paper observes.

Nothing will be done on steel prices until steel firms know what their coal bill will be for the next year. And what it will cost—if anything—when the steel contract negotiations are closed, states "The Iron Age." But the price situation in steel is far more complex than just waiting for the coal and steel labor settlements.

The day of widespread bargain basement sales in the steel industry may not return for some time. There may be some drastic price cutting in the steel industry should the ingot rate fall to a point where sharp competition will come into play. This happened before and it probably will happen again. But with wage rates higher than prewar; a strong union in steel; other costs still at top levels and only scrap having been reduced in recent months, there will be a lot of heavy thinking before any steel unit steps out and tries to devour a lot of business at a cut-rate price, this trade magazine notes.

The advantage of securing enough steel orders to keep a mill

(Continued on page 44)

Sale of Common Stocks Will Curb Socialism: Dewar

President of Investment Bankers Association asserts, by successful securities merchandising, 50 million savers could become part owners of American industry and thus counteract trend to socialism. Urges country-wide securities merchandising program.

In a luncheon talk before the Investment Association of New York in New York City on June 1, Hal H. Dewar, President of the Investment Bankers Association of America and senior partner of Dewar, Robertson & Pancoast of San Antonio, Texas, pointed out that the investment banking business has the greatest opportunity of any segment of the economy to play the role of hero in the fight against socialism.

Hal H. Dewar

"If we investment bankers can sell the estimated 50,000,000 savers in the United States on becoming part owners of American industry through the purchase of common stocks, we will do much to counteract the present-day trend to socialism," Mr. Dewar told the meeting. "To do so, a real merchandising job must be done but many impediments lie in the way of the successful merchandising of securities to the new crop of savers which has sprung up in our country."

Among those impediments Mr. Dewar listed the hostile attitude both of the present government administration and the average person toward Wall Street and toward business in general. He pointed also to the fact that the present tax structure is not designed to permit of a free flow of equity capital.

The Securities Acts need streamlining to gear themselves to the merchandising job that must be done in the securities business today, Mr. Dewar stated, adding that such changes are to be hoped for in the next session of the Congress.

As a final impediment in the merchandising of securities, the I.B.A. President pointed to the archaic nature of merchandising methods currently employed by the securities industry. "These methods must be modernized. Our sales forces must be willing to spend three or four nights a week in the country hotels. They must get out to the forks of the creeks and ring door bells," he said.

This country-wide merchandising job will require manpower, according to Mr. Dewar, who said that he had been encouraged by the fact that so many able young men have recognized that there is a job to be done in the securities industry. To see that such young men are paid an income which will enable them to live comfortably and happily while they are learning the business is one of the best investments our investment banking firms can make," he concluded.

DeCourcy L. Taylor Is With Raymond & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—DeCourcy L. Taylor has become associated with Raymond & Co., 148 State Street. Mr. Taylor in the past was a partner of W. R. K. Taylor & Co. of New York City.

Observations . . .

By A. WILFRED MAY

Company Managements on the Defensive

The degree of importance of stockholders' loss of confidence in management as a cause of the present lowly state of share prices is uncertain. But surely one of the most unfortunate, if little-realized, results from the recurrent bear market is the additional blow to capitalism and free enterprise being dealt by investors' voicing of dissatisfaction with their managements. With the fall in prices and the extension of his losses, the investor is in ever larger numbers joining labor and other community groups in attacking the managers of our industrial system.

A. Wilfred May

Enjoying the confidence and loyal support of its millions of investor-owners, our corporate system would still have a difficult enough struggle. Without such investor confidence, it surely has only a negligible chance for survival.

This column has received in a single mail two communications directly bearing on the question of dividend-policy and directors' stock-ownership. One is a copy of a spelled-out complaint from a leading Wall Street financier to the president of one of his companies after a dividend reduction; and the other a copy of a "Forbes Magazine" article tabulating directorial and managerial stock ownership.

Dividend Policy a Hot Potato

One of the chief instigations of current stockholder antagonism is dividend policy. In the first place, he complains of niggardliness, in now facing "rainy day" reductions from payment levels that did not adequately reflect the "fair weather" boom. Justification on grounds like under-depreciation and under-capitalization are merely unsatisfactory "academic" alibis in the minds of the hard-pressed stockholder. His second object of criticism is the lack of uniformity of dividend philosophy and policy among different companies.

Following is our correspondent's complaint to his company—a typical manifestation of increasing stockholder dissatisfaction. (At our publishing deadline no reply had been received.) **Its content is offered here in the hope of eliciting comment from our readers in the investing and industrial fields—as to the justification of such line of complaint and constructive remedial possibilities.**

(Names of the addressee, the writer, and the company omitted as indicated.)

"Mr. _____ _________, President
The ______ _________ Company
"Dear Mr. _________:

"I refer you to the correspondence that I had with you during September, 1948. Your reference to such correspondence will indicate to you that at that time I suggested that the company should conserve its assets for a rainy day rather than to spend large sums to increase plant capacity. In your reply, you indicated that you would like to see me when you next came to New York and discuss this with me. This meeting never came off, even though I indicated a willingness to meet you.

"I am prompted to write you at this time because of the reduction in the dividend of our company as announced yesterday. It seems to me that the least that a stockholder could expect is protection in dividends during a bad period when so much undeclared earnings were accumulated during prior years. During

(Continued on page 46)

Electric Power—Survey and Prospects

By WALKER L. CISLER*

Executive Vice-President, The Detroit Edison Company

Pointing out although U. S. electric power resources are by far largest in world, rate of expansion in recent years still grows. This expansion has made necessary greater utilization of existing equipment than ever before, and the power industry will go forward with undiminished vigor, initiative and courage as one of greatest sources of national strength, both in peace and war.

The end of hostilities found the utilities ready to proceed with the construction of projects, earlier stopped, as government wartime restrictions were relaxed. Orders were placed for still more equipment to build up reserve margins which had been reduced during the war, and to provide for load growth. The industry entered upon the greatest expansion program of its history. But the manufacture of heavy power equipment, even under the most favorable conditions, takes many months and there were many postwar readjustments to be made before normal production schedules could be resumed. Manpower and material difficulties all had a delaying effect on getting additional generating equipment into service. It was not until 1947 that any appreciable amount of new postwar capacity became available. Meanwhile, reconversion to peacetime activities had advanced rapidly and electric demands increased at an accelerated and unprecedented rate to a peak in 1946 that was 10% higher than the highest wartime peak. It is understandable why reserve margins became so little in 1947 and 1948 as compared to normal accepted margins, and why restrictions in consumption had to be applied in certain areas because of lack of capacity or a lack of energy, largely affected by scarcity of rain or snowfall. Where such restrictions have occurred, it is of course unfortunate and no industry feels it more than the utility industry which is fully conscious of its responsibilities to the public. Compared to the restrictions which have been and continue to be in effect in other countries—especially those allied with us—our own situation has been insignificant in comparison.

Walker Cisler

Faced with dwindling reserves, and in some instances a lack of them, the operating people of the industry moved into the line and prepared for action. Their resourcefulness has seemed almost boundless. They have produced more and more where it seemed limits had already been reached. I know of this first hand, my experience has brought me in close touch with it. Everywhere the story has been the same, people and management have been minded to accomplish the utmost. No decree, no order, could have brought about equal or better results. There is no substitute for the will and determination of individuals to do their job when challenged to the test. I would like to express my deep admiration for the people in our industry — both private and public — who have done so much in this eventful postwar period. This group includes the men whose duties required hard physical labor as well as the skilled operators and engineers, for they all had a share in accomplishing our postwar achievements.

Present Situation

The Edison Electric Institute has just recently completed its Fifth Semi-Annual Power Survey. It is, I believe, the most complete and up-to-date factual picture of the present and expected load, capability, new construction, and heavy electric power equipment manufacturing situations throughout the country. It covers practically the entire electric power industry, and should be considered with confidence and respect. This survey has been put together by people who are extremely close to the various situations and who have an extensive background of prewar, war and postwar experience.

The data which I have to present in this paper has been obtained from reliable sources and are the result of the efforts of many people and organizations. I wish to gratefully acknowledge my thanks to all who have so helpfully contributed.

The detailed tabulation, graphs, and maps which are attached are self-explanatory, and because of the limited time, I shall discuss them only briefly. However, there are certain overall important results which are extremely significant and worthy of careful consideration. They are revealing and should inspire confidence in what the electric power industry is accomplishing.

First, let us consider the peak capabilities, peak loads, reserve margins and energy for the eight power regions and for the country as a whole for the five-year period 1947 through 1951.

Peak capabilities have progressively increased throughout the power regions. These are the result of greater utilization of present generating resources and the addition of new generating units which reaches full momentum in 1949 when 7,000,000 more kilowatts are scheduled for service. Thus in four years about 23½ million kilowatts will have been added to the electric power systems. Practically all of this new capacity results from installations of highly efficient generating equipment. Of this, more than three-fourths will be in thermal plants and one-fourth in hydraulic plants. Solid fuels will be used in about two-thirds of the new thermal plants. The electric power industry is now the largest consumer of solid fuels. In the modern thermal electric generating plant, a ton of coal produces nearly five times as many kilowatthours as the average plant produced in 1914. This in itself is a most significant contribution to the conservation of a basic natural resource, and is an indisputable proof of the initiative and enterprise of the industry in pioneering developments which in part have made possible lower production costs.

Peak loads also show an increase throughout all regions. The per cent increase varies between regions and with the years. For the country, it is greatest in 1949 when 9% is expected. In 1950, the estimate is 7% and in 1951 a little more than 6%—a somewhat less steep peak load growth as compared to the present year. It still remains a high increase, however, and shows the confidence of the industry in meeting existing connected loads, the promotion of increased use of these, and the addition of new loads.

The margins for reserves for the country as a whole demonstrate conclusively that the industry has passed the point where loads were growing faster than new generating equipment could be manufactured, installed, and put into operation. The low point of 5.6% in reserves was reached in 1948. It will be substantially increased to 9.6% in 1949, 12.0% in 1950, and 15.6% in 1951 which is certainly a safe margin for both peacetime and national defense requirements. It should be pointed out that the improved reserve margins reflect in part the lower trend in load growth which present conditions indicate as well as a speeding up of construction schedules. This means that safe margins will exist at least a year earlier than might have resulted otherwise. Region III, the Southeast, does not take into account new steam units which the Federal Government may have in operation by 1951. Region VII, the Pacific Northwest, shows a deficiency of capability in 1949, 1950 and 1951. Only by the addition of substantial amounts of new capacity can the estimated increased loads be met and reserve margins established. The expansion program of the industry has had to accomplish two purposes from a capability standpoint, (1) to meet increased loads, and (2) to reestablish normal and safe reserves. Consequently, it would be unwise to slacken the speed of generating plant additions except where particular situations are such as to cause an economic waste in pushing construction ahead at an accelerated pace.

The estimated production of energy to meet consumption requirements for 1949 shows an increase of 8.3%; for 1950 it is 6.3%; and for 1951, 5.9%. These figures reflect the somewhat lower rates of increase for the two years beyond 1949 which is consistent with the estimated increase in peak loads for the same two years.

I believe the country can confidently expect that electric power loads will in general be adequately met in 1949, 1950, and 1951. There may be local situations where restrictions in use may be necessary. But on the whole, there will be no power shortage as the greater reserve margins clearly indicate.

Now let us consider the manufacturing situation as it pertains to the shipment and scheduled production of heavy electric power equipment. It is a most encouraging picture and clearly demonstrates the capacity of our manufacturers to produce at tremendous rates. It is a great credit to them that they are meeting schedules so effectively and are expanding facilities for increased production to the point in 1951 when the capacity to build steam and hydraulic generating units will be 10 million kw. per year —a truly great production, and an outstanding example of the productive power of American industry. Of this capacity, 8 million kw of steam units can be manufactured and 2 million kw of hydraulic units.

For the first four months of 1949, shipments of thermal and hydraulic units 4,000 kw and larger to utilities in continental United States amounted to 1,-830,100 kw. For the year 1949, the presently scheduled shipments will total 6,279,600 kw; in 1950,

(Continued on page 22)

*Part of an address by Mr. Cisler before the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1949.

The Current Textile Picture

By HARRY J. DELANEY*

Executive Vice-President, Meinhard, Greef & Company, Inc.

Warning current situation in textile industry should not be compared with that of lush war period, leading textile factor blames unsatisfactory situation on failure of textile producers to build up and maintain working capital. Sees lower textile prices in offing and further readjustments required before situation levels off and becomes stable. Urges textile producers restore business by giving consumers quality goods at right prices. Anticipates more bankruptcies, but no general collapse.

It has been suggested that inasmuch as the nature of the business with which I am associated brings me in daily touch with representatives of some 125 mills in various branches of the textile industry, you might be interested in our impressions of the current situation and how we feel about the future. However, let me assure you at the outset that I do not come here in the role of an economist. I am too familiar with the definition of an economist—a smart fellow without money who has a Phi Beta Kappa key on one end of the watch chain and no watch on the other—to want to be tagged with that label.

Harry J. Delaney

From one point of view it is almost futile to talk of financial conditions in these days when a billion dollars has lost its awesome meaning and has practically become small change in the pockets of our political leaders. Your efforts to cope with the paltry million-dollar problems of ordinary banking look puny and insignificant in comparison with the financial programs which are mentioned these days in the national capital. So great is the change which has taken place in our conception of money standards that I for one would not be surprised if accosted by a Bowery floater one day who will ask, "Brother, can you spare a hundred dollars?"

I have often compared the situation in which we find ourselves today to that of a soldier who was tagged with a ticket for one of the "mystery rides" which the Army used to find so popular during the war. Those were journeys where the chief attraction was the fact that the destination was unknown and was kept a closely guarded secret until the time of arrival.

In many respects we are all now passengers on such a train, roaring through the fog of uncertainty toward a destination which is carefully screened from our most penetrating view. Willing or not, we are on the way, destination unknown. This is not to say that we have no immediate objective, that of ultimate arrival at a terminal where normalcy will prevail for everyone, and by everyone I mean labor, management, and the customer. However, accident may befall us on the way, switches may be turned against us and the trip may leave us in the regions we had not hoped to see.

As far as the textile industry is concerned, these are days of decision with grave responsibility resting on top management and labor alike to cooperate as a team in proper planning for the future if they hope to survive the "dog eat dog" competition of the future. It is futile to look back to the period of 1939-1945 as a basis for normal comparison. Those were the years when the greater portion of our industrial production went to one customer, Uncle Sam. Then followed the period of catching up with the unsatisfied consumer demand for all types of merchandise, the production of which had been curtailed during the war emergency. Clothing rationing was in vogue and it turned out to be a blessing and a curse to the textile industry. Shortages and the overwhelming demands of the public resulted in everything being acceptable. Merchandise abuses crept into all lines and were ignored by Mr. John Q. Public just as long as his appetite was unsatisfied. It was the era which brought into the business stream a huge crop of self-styled geniuses whose success in normal marginal operations looked brilliant so long as demand exceeded supply and customers stood at their doorways waiting to pay cash and carry away everything they made before it hit the shipping floor. Clear finish worsteds, gabardines, sharkskins and all fabrics with a worsted construction were the order of the day. The situation can be best described by the story of Mrs. Binkowitz, Mama, Papa and Gabardine.

It was to be expected that the coaches of such a gravy train were soon bulging at the seams until the rivets flew.

Pipe Lines Filled in Fall of 1949

In the Fall of 1947 when the textile pipe lines were adequately filled up the first ominous clouds made their appearance on the horizon. Woolen mills which had enjoyed eight lush years or activity were caught with heavy inventories of raw material and stock goods, with the demand in the form of future business at the lowest point in the industry's history. A large number of these companies, unable to switch their operations to the new demands of suedes, coverts and broadcloths, saw their working capitals dissipated and in many instances were only saved from the pit of financial embarrassment because of the carry back tax credits they had with the government. A specific illustration of what occurred was the total collapse of woolen sport jackets which had enjoyed an uninterrupted popularity of some three to four years and which could not be moved at that particular time at any price.

An additional element which had a great influence in hastening the downward tempo of forward business, and which influence has been most noticeable in the last four months, is the substandard quality of goods produced not only at the mill level but through every other stage of operation prior to the completion of the end product. In this connection I am not indicting labor alone, as top management has also neglected its obligation of supervision to the point of not keeping in more intimate contact with their internal operations. In brief, it seems to me that as a result of the war hysteria our efforts were concentrated on the rate of production and not the quality of production. The time has arrived for the industry to check all departments or organization to determine whether there are any leaks, undesirable costly practices or "lame duck" products that are being carried along

(Continued on page 20)

*An address by Mr. Delaney before the Bank Credit Associates of New York, New York City, May 26, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

Just whether Dr. Fishbein is the goat in the predicament in which the American Medical Association finds itself, or whether he is the culprit, I am sure I am not prepared to say. But one thing has been crystal clear for a long time and that is, their campaign against what they call socialized medicine is the worst that I have ever seen. And this is a pity for certainly it is a campaign whose success every one of us should ardently desire.

Carlisle Bargeron

It is unfortunate in the first place, that the doctors have had to make the campaign alone. They have been put in the light of wanting to preserve their own racket, so to speak, at a time when the mood of the country seems to be that there are all too many people perverse enough to want to see them squirm. There are these people in addition to the ever increasing number who want something for nothing.

Bring up the subject among your every-day associates and note how few defenders the doctors have. I suppose there are mighty few of us who don't feel that at one time or another they were overcharged or that either they, or a member of the famliy, didn't get the proper treatment. Your acquaintance in the real estate business is likely to feel that the doctor's troubles are no skin off his hide and most certainly you can't expect those whose businesses are already being heavily regulated, and whose are not, to get excited about the government's moving in an another segment.

It is inescapable, too, that in his present trouble, the doctor no longer has the worshipful flock of the minister, as he used to have. When I was a youngster, the death of our family physician was as poignant to us as it was to his own family. Undoubtedly this relationship between doctor and patient still exists in the smaller communities, but in the urban centers the specialization in medicine has divided the human body into five or six parts with a separate doctor for each part and treatment has become quite impersonal and more or less on a mass production basis. Indeed, many doctors have come to pooh-poohing the old belief that the doctor should be closely acquainted with his patient in order to know better what made him tick. The new school contends that the less association the doctor has had with the patient the better.

So in the fight which the AMA has been making, the seemingly selfish plane on which it has been pitched, the doctors have had two strikes on them from almost the beginning.

I, for my own selfish reasons, don't want the government to move in on medical care. This is primarily because when I get sick I don't want to have to stand in line, so to speak, behind 500 hypochondriacs before I can receive attention for which I am willing to pay, having insisted in the first instance that my employer or employers pay me enough to be able to make this payment. I am no more concerned in the propriety of the government taking the doctor over than I am of the government taking over the public utilities. And as to his own welfare, the plain fact is that many of the doctors would make a better living than they do now. Several of my friends among the profession have freely admitted this to me.

But I don't want to line up behind the hypochondriacs as I used to have to line up for cigarettes during the war. We have a maid who comes in twice a week. She is an expert on medicine because there is not a day she does not visit a clinic. And I have always wondered if, when John L. Lewis became so medically conscious for his miners, his long time friend and editor, K. C. Adams, didn't figure it was time for him to retire. It was about this time that he did retire. K. C. used to throw up his hands whenever the subject of Lewis taking over the medical care of the miners was brought up. More than 20 years ago, K. C. owned a hospital in a miners' community. He went broke, he said because the miners and their wives would come in and demand gold teeth just because they could get it under their contract with him.

Another reason I don't want "socialized" medicine or whatever it would be called, is that I don't want to have to pay for the medicine and treatment of other people, particularly the hypochondriacs.

So I wonder why the AMA publicists don't direct their campaign to a fellow like me, instead of talking about what it will do to the doctors.

As a result of the kind of campaign they have been conducting, something is going to be evolved that will cost me money. A compromise plan they are proposing would do that: a sort of subsidy for doctors and hospitals and for research.

Notwithstanding the statistics to the contrary, I don't believe there is a shortage of doctors which necessitates the government subsidizing the training of additional ones. Most any day I can go out to my golf club and find enough doctors to take care of an epidemic. But the doctors themselves apparently like to let the impression rest that there is a shortage. I don't believe it.

Neither do I believe there is a shortage of funds for medical research which the government must make up. Frankly, the more I see in the newspapers—in government placed propaganda and in ads—beseeching me to come in and see if I have heart trouble, tuberculosis or cancer or something else, the more I am convinced that there are a lot of doctors with nothing to do and a campaign is on to make us disease conscious; in short, an effort to drum up trade.

With John G. Sessler Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John G. Sessler & Co., 10 Post Office Square, has added Saul J. Stolper to the firm's staff.

R. H. Johnson Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Charles E. Kelleher is with R. H. Johnson & Co., 30 State Street.

With Gordon B. Hanlon Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Owen Grant has become affiliated with Gordon B. Hanlon & Co., 10 Post Office Square, members of the Boston Stock Exchange. Mr. Grant was previously with J. H. Goddard & Co. and Hare's Limited.

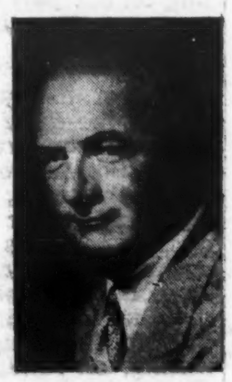
A Strong Utility Industry Under Holding Company Act

By HON. EDMOND M. HANRAHAN*

Chairman, Securities and Exchange Commission

Chairman Hanrahan reviews sweeping changes in the financial and organizational structure of the electric utility industry since the Utilities Holding Company Act came into operation a decade ago. Holds Act has had invigorating effects on industry, and estimates more than two-thirds of electric holding companies have been divested of their assets and more than one-half of integration and simplification program is now completed. Contends integrated electric holding companies, with strong capital structure, as well as independent operating units, show ability to command confidence of investors.

It is a great pleasure for me to be here with you today and to have the privilege of discussing with you certain aspects of the electric utility industry's development over recent years. As the title of my remarks suggests, I want to survey with you the sweeping changes in the financial and organizational structure of the industry which have been brought about under the Holding Company Act. To my knowledge, no American industry has undergone so thorough an overhauling as that experienced by the utility industry during the last 10 years. This has come about none too soon, for the industry has been confronted with the necessity of financing a construction program of tremendous proportions. While the rate of future growth will depend, of course, on the ebb and flow of the business cycle, it is nevertheless an unchallenged fact that electric utilities must plan their financing in the light of long-term prospects of substantial growth. The last great financing effort, in the 'twenties, had to be carried out within the framework of the holding company systems. When holding companies failed to provide equity capital, both they and their subsidiaries were forced to issue senior securities to such an extent that overstrain and collapse of whole systems followed in many instances.



E. M. Hanrahan

Can the forms of corporate structures evolved in the last decade meet the great demands now being put upon them? Can they raise the necessary funds and can they carry the resulting burden without faltering? I believe they can. There is still work to do; some utility systems still contain corporate snarls, but by and large the industry is in a position not only to finance its needs but to finance them soundly.

It is a matter of record that during the depression years, net operating revenues of the electric industry held at levels only moderately below the best attained during the 'twenties. Yet no less than 128 companies, including 52 operating companies, were forced into bankruptcy, receivership, or extension plans between Sept. 1, 1929 and April 15, 1936. Arrearages on preferred stocks of holding companies reached $282,000,000 by the end of 1938, and operating company preferreds had arrearages of another $140,000,000. Most of these difficulties were not, I repeat, traceable to any substantial decline in operations but rather to capital structures with very small amounts of common equity; they were greatly aggravated by uneconomic combinations of property and the general attitude of exploitation which for a time was so prevalent.

Purpose of Holding Company Act

Against this background, the Holding Company Act was enacted for the purpose of eliminating evils and abuses which had figured so promiently in the collapse of one utility empire after another in the early thirties. It sought to eliminate holding companies servicing no useful purpose and to limit systems to physically integrated properties. The Act also called for elimination of undue complexities in corporate structures and for redistribution of voting power among system security holders on a fair and equitable basis. Security transactions, purchases and sales of assets, servicing arrangements and most other aspects of a holding company's relationship with its subsidiaries were likewise subjected to control under the provisions of the Act.

Many of you, I am sure, have seen at first hand the invigorating effects which have flowed from application of these provisions. The management of many an operating company can now do its own planning; it can hire legal, banking, or servicing assistance of its own choosing, from its local area or elsewhere, according to the company's own needs and the community's requirements. It can respond directly and without restraint to the fair demands of the public and of regulatory bodies. It need not await the instructions of a remote superman agement, nor is it dependent upon the favor or chance recognition of such a management in order to be properly rewarded for its services. These prerogatives may now be taken for granted. It was not always so.

Before examining further the nature of the last decade's developments, I want to make one thing clear. To be sure it is the SEC which is charged with responsibility for seeing that the changes called for by the Holding Company Act are brought about. It would be most unrealistic, however, to attribute solely to the Commission the credit for the progress made in that direction. While I do not mean to imply that all has been sweetness and light, most of the industry has in fact done a great deal of constructive thinking and has seen much of it translated into action.

Ten years ago, very few of the country's electric utility companies were not emeshed in one or another of the holding company systems. The independents included a few large metropolitan companies, certain long-established utilities in New York and New England, and the barest scattering over the rest of the nation. The overwhelming majority had been bundled up in holding company packages. Many of these packages were wondrous conglomerations indeed. It is not too surprising that water, telephone, ice, street railway, coal, oil, real estate, investment, or appliance sales companies had been mixed in with electric and gas utilities during the mad pyramiding of the 'twenties. But the list does not stop there. There were manufac-

(Continued on page 36)

*An address by Commissioner Hanrahan at the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., May 31, 1949.

The Outlook—Will It Be Large Corporations or Government Monopoly?

By CHARLES E. WILSON*
President, General Electric Company

Decrying predictions U. S. is drifting into socialism, leading industrialist defends bigness in business. Says President Truman follows a two-minded attitude with reference to large corporations and points out advantages arising from large industrial organization. Asserts planned destruction of the economic power of private corporations would lead to big government corporations, against whose monopoly or inefficiency there would be no recourse.

While I was in England not so many days ago, a financial writer for the United Press wrote his annual feature story about the so-called "Billion Dollar Club" of American corporate business. Somebody clipped out the story and saved it for me, and there was just one line in it—written I am sure with no malicious intent—which I thought was worth calling to your attention today. The "Billion Dollar Club," as you no doubt know, consists of those 56 American corporate enterprises which in 1948 showed assets of more than a billion dollars. The list includes Consolidated Edison, Commonwealth and Southern, Pacific Gas and Electric, Commonwealth Edison, American Power and Light Corporation, and well down the list, the General Electric Company, so you see that even though ours is a very young industry, we are at last beginning to get a little recognition here and there. There was a time in history when it was a comfortable and stimulating thing to have your assets showing. Now I am not so sure. This financial writer pointed out that the continued expansion of the national economy was reflected by the fact that the combined assets of these 56 companies aggregated well over $129 billion, or more than $7 billion greater than a year ago. Then there follows the sentence which blew over my spine, at least, like a cold wind:

Charles E. Wilson

"Demonstrating the importance of these concerns to the national welfare," he wrote, "if they could be liquidated at full value the money obtained would pay off more than 51% of the present national debt, which is 251 and a half billions of dollars."

There are quite a few individuals, connected in one way or another with our national government at Washington, who would regard that statement as a brilliant idea, and not just as an interesting statistic, such is the present apparent state of economic morality. Being laid end to end and compared with the national debt, with consideration being given to our possible expendability, puts us right in the shoes of the unhappy but plump missionary surrounded by hungry cannibals, while the iron pot bubbles nearby.

Only a few days ago a Congressman from Arkansas came up with the ingenious suggestion that corporations be forced to pay all of their Federal income taxes in the first six months of the year in order to convert the Federal deficit into a surplus. I am not at all sure that he had his tongue in his cheek, either, although it would be interesting to discover what the next step would be in this fantastic and fraudulent type of short-term deficit financing. And some time before that, of course, our Secretary of Agriculture, Mr. Charles F. Brannan, proposed a farm program which would effect, as 'Fortune' puts it, a transfer of income from the rest of the community to a single class, not to prevent distress but as a matter of permanent right.

It is all very well for us to describe these as Alice-in-Wonderland schemes, but they can happen to us if we do not mind our business—and by that I don't mean putting our head in the sand by any means. Today minding our business is not only sensible but necessary. Long before there was any record of a third strike, a fourth round, a fifth column, or a sixth sense, we had what has often been referred to in the United States as the "eleventh commandment," and this is it: **Mind Your Own Business.** Actually this is an old English proverb with an established lifetime of three and a half centuries, but its usefulness keeps it fresh and unwrinkled as modern slang. Americans have minded their business rather well, to the profit of many and the occasional consternation of a few. It is true that behind every other bush we find a critic ready to discredit our theory and methods, and also ready to take title to our assets and distribute our substance to appease the world's anguish. Such criticism, such eagerness to take over the reins from the hands of the poor old enterprise system, is a good thing if it keeps us awake to our danger.

In the years since the end of the war there have been many distractions — highly important distractions—which have properly commanded the attention of business. They were a part of the pains of postwar adjustment, part of the process of growing into our role of increased political and economic leadership in the world. They have deserved every bit of the priority that we have had to give them out of our experience and growing sense of responsibility for the world's well-being. We must continue to give them our attention. But the time has also come when we must allocate once more a major part of our judgment and energy and skill to the proper management of our own affairs. It would be an over-simplification to say that our industrial and commercial machine has been running along at top speed without any attention from its operators. It has been running smoothly and efficiently, but because a lot of men planned it that way, because they poured in billions of dollars to get it in shape, and spent long hours on its adjustment. Nevertheless postwar markets cried for goods, we were in the pleasant throes of inflation, money was plentiful, wages were high, littlt selling was needed to score home runs every day. Now this has changed sharply and realistically, as we knew it would. It is high time to go back to work, to reduce costs, to live within our budgets, to quit coasting and put our back into our job. There is nothing very novel in all this. We have not forgotten how to do it. It is not our own capacity for adjustment that is wanting—but it appears that the same cannot be said for many of our partners in government. There is an alarming amount of daylight showing between their feet and solid ground, and it will take more than criticism and grumbling on our part to get them back to the good earth.

What Faces the Electric Industry

One of the gravest situations, and at the same time one of the brightest opportunities, in this whole business of keeping America on the track, faces the electric light and power industry. This is a key business in the mighty economy of our country. It has been built on pioneering, on individual ingenuity, on courageous private financing, on aggressive selling, on fundamental relationships with the public. In its relatively short life it has made mistakes, it has been shortsighted, it has been humanly selfish, it has been honestly perplexed as it worked out the intricate new ground of government regulation flowing from the nature of the commodity. But along with, and in spite of, all of these things it has fantastically and almost unbelievably transformed the lives and influenced the fortunes of every individual, every home, every farm, every store, and every factory in America. The miracle of electric power, one of the truly great miracles of modern life, is not scientific achievement but economic achievement, on a scale so vast that we have never been able to evaluate it—and so we just take it for granted.

How did this great business, in which you and I dip our hands and minds every day as a matter of course come about? Who sat with Edison through the long hours at Menlo Park 70 years ago watching an absurd filament glow in a bottle? Was it the Department of the Interior? Who fought through the heart-breaking disappointments of the early lighting plants, the diabolical brush-failures on the first transit systems? Was it the House Small Business Committee? Who worked out the pioneering mathematics of alternating current? Who stated their fortunes and reputations on that ridiculous idea, the steam turbine? Who put up the money and the courage to see an infant industry through the great financial panics? Was it the Treasury of the United States, drawing in its benevolence upon the contributions of the taxpayers of the United States? There were no floods to be controlled at Menlo Park, or in Lynn, or in Fort Wayne. Nobody in Tennessee or Missouri or New York was crying out for electricity. They were probably just laughing at it. These are some of the things that we have in mind when we speak today of competitive enterprise, when we made promises in the name of private business, and nowhere are they better exemplified than in this industry, which is frankly under attack. It is not an attack, I am convinced that can be met adequately with resentment and righteous hostility, but it can be met with action.

It may be true, as Geoffrey Crowther, editor of the "London Economist," somewhat wryly observed the other day, that in 20 years we will "probably be pointing out how much superior American socialism is to British socialism because of the different spirit in which nationalization

(Continued on page 39)

*An address by Mr. Wilson at the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1949.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The annual summer outing of the Investment Traders Association of Philadelphia will be held on Friday, July 1, 1949, at the Whitemarsh Valley Country Club.

Golf will be under the direction of Jim McFarland, H. M. Byllesby & Co. There will be competition between Boston, New York and Philadelphia players. There will also be a Kickers Tournament ($1 initiation). Green fees $3.

Al McBride, Wright, Wood & Co., will handle all other sports.

A special event is planned for 6 p.m. under the direction of Harry Fahrig, Reynolds & Co. Dinner will be at 7 p.m.

Newton H. Parkes, Bioren & Co., is Chairman of the outing, assisted by Charles J. Brennan, Blyth & Co., Inc., Co-chairman. Member tickets ($6) may be obtained from Al Fenstermacher, M. M. Freeman & Co., and guest tickets ($7.50) from Jack Weller, Hallowell, Sulzberger & Co.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canada — Monthly commercial letter — The Canadian Bank of Commerce, Toronto, Ont., Canada.

Commodity Futures — Brochure —Matthew A. Anderson—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Detroit Stock Exchange—Michigan's Market Place — Booklet about the history and operation of the Detroit Stock Exchange—Detroit Stock Exchange, Detroit, Mich.

Economic Recovery of Europe and the ultimate effect upon government bonds of Great Britain, Belgium, Sweden, Netherlands, Norway and Denmark — New study—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Oil in Venezuela—Joseph E. Pogue—Chase National Bank of the City of New York, Pine Street corner of Nassau, New York 15, N. Y.

Outlook for Resumption of Trading in German Dollar Bonds —Analysis—F. R. Lushas & Co., Inc., 29 Broadway, New York 6, N. Y.

Over - the - Counter Industrial Stock Index — Booklet recording 10-year performance of 35 industrial stocks—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Stock Prices vs. "Disinflation"— —Study of postwar I reconstruction period as compared with present—William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Unlisted Electric Utility Operating Companies — Comparative table of 49 companies—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available is a table of related values for **American Telephone and Telegraph Co.**

Utilities—Study of the industry from 1929 to the present, including detailed discussion of 44 individual companies with a statistical summary of their capitalization, earnings, and dividend record—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Why Buy Anything?—Analysis of the market situation in "Bank and Insurance Stock Digest"—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Also available is an analysis of **Kentucky Utilities** and **Bank of the Manhattan Co.**

* * *

American Power & Light Co.—Analysis — Abraham & Co., 120 Broadway, New York 5, N. Y.

Bank of Manhattan—Leaflet—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a leaflet on **Railroad Equities.**

Barnat Mines Ltd. — Progress Report—Nesbitt, Thomson & Co., Ltd., 355 St. James St., West, Montreal, Que., Canada.

Blauners, Incorporated—Memorandum—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Bond Stores, Inc.—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a bulletin on **General Electric.**

Brown & Bigelow—Analysis and Study—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Central Soya Company—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Davison Chemical Corporation—Survey—Stein Bros. & Boyce, 6 South Calvert Street, Baltimore 2, Md.

Derby Gas & Electric Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Emery Air Freight Corp.—Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y.

General Shoe Corp.—Anaylsis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Hammond Instrument Co.—Memorandum — Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Jefferson Electric Co.—Circular—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Henry Clay Hotel Company of Louisville—Memorandum—Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Also available is a memorandum on **Kentucky School Building Revenue Bonds.**

Lehigh Valley—Analysis of general consolidated mortgage bonds

—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Middle South Utilities, Inc. Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Oregon Portland Cement—Late data—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Oswego Soy Products—Report—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Pacific Petroleums Ltd.—Circular—First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Seattle Gas Co.—Circular—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Utah Idaho Sugar—New analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

West Penn Electric—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Now Piersol O'Brien Adams

KANSAS CITY, MO.—The firm name of Piersol, O'Brien & Co., Inc., 1012 Baltimore Avenue, has been changed to Piersol, O'Brien & Adams, Inc. Officers are T. Fred O'Brien, President, and Kenneth R. Adams, Vice-President. Mr. Adams was formerly with A. H. Bennett & Co.

Business Man's Bookshelf

Charter of the International Trade Organization—Analysis by E. G. Davies of C. K. Williams & Co., Easton, Pa.—Reprinted by The American Tariff League, 19 West 44th Street, New York 18, N. Y.—paper—copies on request.

Commodity Futures — Matthew A. Anderson—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.—Paper.

Oil in Venezuela — Joseph E. Pogue—Chase National Bank of the City of New York, Pine Street corner of Nassau, New York 15, N. Y.—Paper.

Government Ownership of Homes — Some facts about the dangers of public housing—United States Savings and Loan League—Paper.

Inflation and Postwar Profits—Machinery and Allied Products Institute, 120 South La Salle Street, Chicago 3, Ill.—Paper—50c.

Liberty—A Path to Its Recovery —F. A. Harper—Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—Paper, $1.00; Cloth, $1.50.

Wesley Mitchell and the National Bureau—Arthur F. Burns—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—Paper.

Public Finance and National Income—Harold M. Somers—The Blakiston Co., 1012 Walnut Street, Philadelphia 5, Pa.—Cloth—$5.00.

George D. Roberts Now With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—George D. Roberts has become associated with E. F. Hutton & Co., 1066 Fourth Avenue. Mr. Roberts was formerly San Diego manager for Buckley Brothers.

Illinois Brevities

Central Illinois Public Service Co. proposes to issue and sell 446,000 additional shares of common stock (par $10 each) the net proceeds of which will be expended in 1950 towards carrying on its construction program. It is expected that the additional shares will be offered for subscription to the company's common stockholders, about the middle of this month, in the ratio of one share for each five shares held of record, and that the unsubscribed shares will be sold to a group of underwriters headed by The First Boston Corporation.

Net income, after Federal income taxes, for the three months ended March 31, 1949, amounted to $1,275,006, equal to 50 cents per share on the common stock after preferred dividend requirements, which compares with $1,240,640, or 49 cents per common share for the corresponding period of last year. For the year ended March 31, 1949, net totaled $4,547,988, or $1.77, against $4,477,150, or $1.74 per common share, for the preceding 12 months' period.

* * *

On May 11, a group of ten underwriters headed by Halsey, Stuart & Co. Inc., and including William Blair & Co. and Mullaney, Wells & Co., publicly offered $8,000,000 Indianapolis Power & Light Co. first mortgage bonds, 3% series, due 1974, at 101.769% and interest.

On the same date, another group of thirteen investment bankers, also headed by Halsey, Stuart & Co. Inc., and in which Mullaney, Wells & Co. also participated, publicly offered $10,000,000 Potomac Electric Power Co. first mortgage bonds, 2⅞% series due 1984, at 101½ and interest.

Halsey, Stuart & Co. Inc. (sole underwriter) on June 3 publicly offered $2,750,000 Staten Island Edison Corp. first mortgage bonds, 2⅞% series due 1979, at 101.719% and accrued interest.

Three other groups of underwriters, also headed by Halsey, Stuart & Co. Inc., offered the following equipment trust issues: On May 26, $2,550,000 Missouri-Kansas-Texas RR. 2⅜% equipment trust certificates, third series 1949, at prices to yield 1.35% to 2.80%, according to maturity; on May 26, $3,150,000 Delaware, Lackawanna & Western RR. 2½% equipment trust certificates, series I, at prices to yield 1.45% to 2.825%, according to maturity; and on June 2, $6,450,000 Northern Pacific Ry. 2⅜% equipment trust certificates, second series 1949, at prices to yield 1.40% to 2.675% according to maturity.

* * *

A letter of notification was filed on May 6 with the Securities and Exchange Commission covering 3,600 shares of 75-cent cumulative convertible preferred stock, (par $10) of Liberty Loan Corp., Chicago. This issue was placed privately on May 16 at $15 per share through Sills, Fairman & Harris, Inc. The proceeds are to be added to working capital.

* * *

Peabody Coal Co., Chicago, and its subsidiaries for the quarter ended April 30, 1949 reported a net profit, after charges and Federal income taxes, of $476,061, equal to 43 cents per common share, against $426,783, or 36 cents per common share, for the corresponding three months last year. For the 12 months ended April 30, 1949, the consolidated net profit was $3,030,154, or $3.52 per common share, compared with $2,420,931, or $2.56 per common share, for the preceding year.

* * *

The North American Co. and North American Light & Power Co. on May 20 filed an application with the Securities and Exchange Commission to sell competitively 242,785 shares (12.67%) of the 1,916,805 outstanding shares of Illinois Power Co. common stock, no par value. The sale will complete divestment by the first two named firms of their stock interests in the Illinois company.

For the 12 months ended April 30, 1949, net income of the Illinois Power Co., after deducting all charges and Federal income taxes, amounted to $6,356,514, or $3.31 per common share, against net of $5,394,849, or $2.81 per common share, for the preceding 12 months' period.

* * *

Libby, McNeill & Libby, Chicago, last month placed privately through Glore, Forgan & Co., New York City, an issue of $10,000,000 3% promissory notes due May 1, 1969, with a group of insurance firms.

* * *

Consolidated net income of Pullman, Inc., for the first quarter of 1949 was $2,013,142, or 79 cents per share, as compared with $1,129,020, or 43 cents per share, for the corresponding period of last year. This improvement reflects a gain of $884,122 in "Net Income" as compared with an increase of $9,579,381 in "Gross Revenue" from sales of products and services. Working capital (excess of current assets over current liabilities) as at March 31, 1949 stood at $125,459,402, equivalent to $43.97 per share of capital stock outstanding. Cash and U. S. Government securities held by the corporation and its subsidiaries on that date totaled $42,241,449, equivalent to $16.49 per share. The book net worth as of March 31, 1949 amounted to $53.43 per share, excluding "Reserves," and "Deferred Credit" totaled $10.60 per share.

* * *

Included in the group of underwriters who on June 2 publicly offered $3,150,000 Arkansas-Missouri Power Co. 6½% interim notes, due Dec. 15, 1951, at $47 per unit of each $45 principal amount, plus accrued interest, were A. C. Allyn & Co., Inc., Farwell, Chapman & Co., Sills, Fairman & Harris, Inc. and Straus & Blosser. The notes are convertible on or after June 15, 1950 into 6% preferred stock and common stock, and payable at maturity (if the company so elects) in preferred and common stock.

* * *

For the three months ended March 31, 1949, the Link-Belt Co., Chicago, reported a net profit, after charges and income taxes, of $2,031,250, or $2.49 per common share, against $2,349,709, or $2.91 per common share, for the corresponding period last year.

* * *

On May 19, a group of investment bankers, headed by Goldman, Sachs & Co., of New York City, publicly offered 80,000 shares of United Biscuit Co. of America $4.50 cumulative preferred stock (no par value) at $103.50 per share and dividends. The following Chicago underwriters participated in this offering: A. G. Becker & Co. Inc., Harris, Hall & Co. (Inc.), A. C. Allyn & Co., Inc., Bacon, Whipple & Co. and Kebbon, McCormick & Co.

* * *

The net profit of the Illinois Commercial Telephone Co., Springfield, for the calendar year 1948, after charges and Federal income taxes, was $390,975, or 97 cents per common share, after preferred dividend requirements, which compares with a net of $169,667, or 40 cents per common share for 1947.

* * *

The following Chicago bankers participated in the public offering on June 3 of 50,000 shares of Public Service Co. of Oklahoma 4.65% cumulative preferred stock (par $100) at $102.19 per share and accrued dividends: Central Republic Co. (Inc.), A. C. Allyn & Co., Inc. and A. G. Becker & Co. Inc. The net proceeds are to be used to pay the cost of additions, extensions and improvements to be made to the properties of the company.

* * *

The sales of National Tea Co., Chicago, for the four weeks ended May 21, 1949, amounted to $20,455,928, compared with $20,564,417 for the corresponding period in 1948, and $21,246,667 for the four weeks ended April 23, 1949.

Jewel Tea Co., Inc., Barrington, reported that its retail sales for the four weeks ended May 21, 1949 were $13,136,090, or 12.2%, over the same weeks of 1948.

With Shearson, Hammill

(Special to The Financial Chronicle)

CHICAGO, ILL. — Robert R. LeClercq has been added to the staff of Shearson, Hammill & Co., 208 South La Salle Street.

Stock Market Prices

Thomas W. Phelps, writing on implications of current stock price movement in "Dow Theory in Practice," says leading common stocks are selling lower in relation to earnings and book values than at any time in past 30 years. H. Hentz & Co. foresees no further serious price recessions.

Writing in "Letter No. 82," dated June 3, of "Dow Theory in Practice," Thomas W. Phelps, of Francis I. du Pont & Co., New York City, furnishes some interesting data on recent movement and status of stock prices. According to Mr. Phelps, "leading common stocks are selling lower in relation to their earnings than at any time in the last 30 years. That statement does not rest solely on 1948 earnings, either. First quarter 1949 earnings of the Dow-Jones industrial average are estimated at $5.90, compared with $5.06 for the first quarter of 1948.

Thomas W. Phelps

"Leading stocks are selling at historically low ratios to their book values. At some time in every year since 1924 selling prices of leading industrial stocks have been higher in relation to the book values for those years than they are now. What that means is that even in the depression years 1932 and 1942 asset values commanded higher prices in the market at some time during those years than they do today. And book values probably are more conservative now than ever before. Many companies have millions of dollars worth of plant and equipment which was written off their books entirely under the accelerated amortization provisions of wartime tax laws. Moreover, except for the last year or two, replacement costs probably are higher now in relation to original costs than ever before. That is due, of course, to the rise in the general price level and to the fact that many of the assets on the books of our leading corporations were acquired when a dollar would buy a good deal more than now.

"Literally hundreds of stocks are selling for less than the excess of their earnings over their dividends in the last ten years. Some companies are selling for less than the total of their earnings ploughed back into their businesses in the last two years.

"The market price of stock earnings probably never has been lower than now in relation to the cost of buying interest income from high-grade corporate bonds. It costs as much to get $1 of annual income from high-grade corporate bonds as to get $5 of current annual earnings in leading common stocks. Relative to bonds, stocks are much cheaper now than they were either in 1942 or 1932."

Sees No Important Changes in Offing

Commenting on the stock market situation, H. Hentz & Co., members of the New York Stock Exchange, in their recent "Fortnightly Review," state: "In our opinion there is not likely to be any heavy liquidation or severe depreciation in values from current levels because of the generally low state of the market in relation to past and present earnings. The market has consistently refused to appraise security values on the basis of 1946 to 1949 earnings to date and, accordingly, stocks are well cushioned against the anticipated declines in earnings in the next six months. An additional factor in this degree of cushion is to be found in the larger increment to equity values in the past ten years. Furthermore, the absence of substantial or thinly margined accounts removes the usual element of danger arising from excessive speculative accounts.

"We feel that while business is receding, security prices may decline moderately, but that no important change in prices will occur and that good equities should be acquired within a 5-point radius of current levels."

$84,000,000 State of Minnesota Veterans Compensation Bonds Offered to Investors

General obligation bonds, bearing interest coupons ranging from 1% to 5%, being marketed at prices to yield from 0.60% to 1.55%.

A group headed by The National City Bank of New York, Bankers Trust Company, First National Bank, New York, Halsey, Stuart & Co. Inc., Lehman Brothers and Kidder, Peabody & Co. was awarded on June 7 $84,000,000 State of Minnesota General Obligation Veterans Adjusted Compensation Bonds due July 1, 1950 to 1959, inclusive, on their bid of 100.0277 for a combination of coupons ranging from 1% to 5%, producing a net interest cost of 1.45769%. The bonds maturing after July 1, 1952, are callable July 1, 1952, and on any interest payment date thereafter at par. Reoffering of the bonds was made at prices to yield from 0.60% to 1.55%, according to maturity.

Frank Dyer, Jr. Joins Waggenseller & Durst

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Frank Dyer, Jr., has become associated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Dyer was formerly Vice-President of Revel Miller & Co. with whom he had been associated for many years.

Now Douglass & Co.

BEVERLY HILLS, CAL.—The firm name of Bourbeau & Douglass, 133 North Robertson Boulevard, has been changed to Douglass & Co.

With King Merritt Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—William R. Bryant has been added to the staff of King Merritt & Co., Inc., Chamber of Commerce Bldg.

Floyd Cerf, Jr., Adds

(Special to The Financial Chronicle)

CHICAGO, ILL.—Theodore H. Hoffman is now with Floyd D. Cerf, Jr., & Co., Inc., 120 South La Salle Street.

With Samuel and Engler

(Special to The Financial Chronicle)

COLUMBUS, OHIO—Mrs. Virginia C. Garrett is with The Samuel and Engler Co., 16 East Broad Street.

Financing Utilities Expansion Program

By HAROLD H. SCAFF*

Vice-President, Ebasco Services Incorporated

Asserting current expansion program, in its financial aspects, is as vast as ever confronted the electrical industry, Mr. Scaff points out need for greater equity financing for its proper accomplishment. Sees new problems arising in underwriter, dealer and investor relationships because of break-up of holding companies and compulsory competitive bidding in capital flotations. Says higher earnings are needed for successful equity financing and should be allowed by regulatory bodies, and tax laws should be eased to encourage equity investment. Urges companies work vigorously to assure financing success.

The utilities industry's financing program has been the subject of active discussion for more than a year and its relative importance has increased, rather than diminished, during that period. The expansion program requiring this heavy financing is as vast an undertaking as ever confronted the electric industry. A survey conducted several months ago by the "Electrical World" shows that the industry plans to spend approximately $8.7 billion during the five-year period ending 1953, which compares with an estimate made a year or so ago of $6 billion for the four-year period ending 1951. These figures alone demonstrate that the financing has become increasingly vital to the industry.

Harold H. Scaff

The "Electrical World" survey shows the sources from which it is expected that the funds must come and the amounts required for each of the five years.

The information is shown in the accompanying tabulation.

To date, debt money is being obtained in amounts sufficient to meet the requirements, and generally at reasonable rates. This part of the financing program does not appear likely to present any problem to utility companies.

Based on recent past experience, however, the same cannot be said for that part of the program involving equity financing. The tabulation I have referred to shows that the industry will require $615 million from preferred and common stock financing during 1949. One indication that this is going to be difficult to accomplish is that for the year 1948 electric utility companies obtained only $288 million in new money from preferred and common stock financing. While the first quarter of 1949 shows some improvement, indicating an annual rate of about $340 million, the current rate is still short of the indicated requirement of $615 million for 1949.

The problem of raising equity money is not new, it has been with us for two years or longer and has resulted in the sale of debt securities in proportions greater than the proportion in their existing capital structures. For instance, in 1947 debt securities were about 60% of all securities sold by electric utility companies to obtain new capital, including surplus plowed back into the business. In 1948 the figure was around 69%.

To date, the preponderance of debt has not affected, in any important degree, the sound capitalization of the industry. At the end of 1948 the industry's total long-term debt was only about 49.1% of total capitalization, as compared to 46.1% at the end of 1946, and common stock and surplus 37.0% against 38.4%. It is essential, however, that equity financing continue in heavy volume if the industry's present extremely sound position is to be maintained.

On this point, Edmond M. Hanrahan, Chairman, Securities and Exchange Commission, had this to say in an address before the American Gas Association at Atlantic City, N. J., on Oct. 5, 1948:

"However, I am not betraying any secrets when I say that we at the Securities and Exchange Commission are disturbed by the fact that many utility corporations, electric as well as gas, and, indeed, many corporations in other lines of activities, have since 1945 relied so heavily on debt financing to meet their expanding capital requirements."

This is another factor that makes the financing program more important today than it was a year or so ago. The industry now faces generally the necessity of resorting to equity financing for a somewhat larger share of its new capital requirements than during the past two years.

The high cost of equity capital over the past couple of years has been the dominating factor influencing companies to decide on the debt route to obtain most of their new capital requirements. This decision can be readily understood if consideration is given to the desire of companies generally to keep the cost of capital as low as possible.

A study prepared recently by my organization showing quarterly earnings-price ratios on common stocks of eight high grade electric operating companies indicates that the cost of such money has gone up from a low in March, 1946, of 4.78% to 6.84% in March, 1949. This represents an increase of almost 43% in a period of three years and, as can be appreciated, throws a heavy burden on these companies.

A number of factors account for the increase in the cost of equity money. Among them are apprehension on the part of the investor about the impact of the industry expansion program on the earnings of the companies, government competition, regulatory commission attitude toward rates, increasing operating costs, the effect of competitive bidding on the industry's ability to market equity securities satisfactorily, and high taxes.

Largely because of these conditions, the electric industry, through Edison Electric Institute, created about a year ago a committee to function jointly with the American Gas Association to study and report to the membership of both associations on the subject of "Financing Utility Capital Requirements." I had the

	(In Millions of Dollars)				
	1949	1950	1951	1952	1965
Total	$2,050	$1,830	$1,620	$1,630	$1,560
Debt	820	732	648	652	624
Preferred	205	183	162	163	156
Common	410	366	324	326	312
Cash	615	549	486	489	468

privilege of being selected as co-Chairman to work with E. W. Morehouse, chosen to represent the American Gas Association.

The objective of the committee was the preparation of a report that would contain recommendations and suggestions to individual member companies that would help to facilitate the successful financing of their expansion programs. This was to be done by building up investor confidence in electric and gas securities, thus providing a ready market for such securities at the best possible price.

After considerable study and discussion among the members of the joint committee and contact with several groups outside the two industries, it was concluded that the overall problem should be divided into six part for committee study and reporting. The six subjects are:

Information Programs
Relations with Investors, Underwriters and Dealers
Earnings Needed and Allowed
The Effect of Competitive Bidding on Utility Financing
Characteristics of Securities
Impact of Federal Taxation on Utility Financing

I want to review briefly these subjects, because of their particular interest to the electric utility industry, and to tell you a little about the conclusions of the committee as to each of them.

Information Programs

There is no subject of more vital concern to the industry in connection with its financing program than the necessity for better industry and company information programs. I want to cite an actual experience of the electric industry to show how harmful an inadequate information program can be. Shortly after the industry announced its $6 billion expansion program early in 1947, utility stocks went into a decline which continued for almost a year. This decline was contrary to market action generally and, in my opinion, resulted largely from the misunderstandings that arose as to the impact of the expansion program on earnings. I am sure you will recall the numerous articles that were written about that time on the subject that helped to make matters worse. It was not until much of this fear had been dispelled by pointing out the many benefits that were going to result from the expansion that utility stocks started to regain the ground they lost during that period. Had the industry taken the time and the initiative to put out a full statement explaining the effect of the expansion program, the industry would not have received the bad publicity it got, nor would stocks have declined contrary to the general market trend.

A great many utilities feel that if they do a good job locally in explaining their situation to the investing public, they have done their share. Unfortunately that is not so.

The hard facts are that the public considers the utility business as

(Continued on page 41)

*An address by Mr. Scaff before the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1949.

Mutual Funds

By HENRY HUNT

The Masses Have the Money Today

In discussing the scarcity of risk capital today, Robert E. Wilson, Standard Oil of Indiana's Chairman, stated recently, "Those who know the facts about common stocks don't have the money and those who have the money don't know the facts." He went on to say that wealthy and high salaried individuals have been forced, by high taxes, into tax exempt bonds which even on a 2% yield basis give such investors a higher net return than a stock yielding 6 or 7%.

The above drives home the necessity for educating and selling the masses on the merits of common stock investing. The fact that mutual fund sales have been increasing in the face of declining stock prices and small volume on the "Board" indicates that mutual funds are getting a growing share of business from the "new rich."

Furthermore, the recent trend on the part of member firms to start selling mutual fund shares shows that they are beginning to realize that modern merchandising methods produce better results today than the antiquated techniques of the customer's man.

The mutual fund business is to be congratulated on the progress it has made but the surface has hardly been scratched. Witness the fact that savings deposits today total more than $58 billions as compared with about $1½ billion of mutual fund assets.

It Pays to Be Ignorant

Many experienced Wall Street salesman will tell you that you can't sell securities in markets such as those prevailing recently. But, sometimes it pays to be ignorant. **Doug Porteous of Cohu & Co.** recently took on a new man 30 years old whose "selling" experience had been limited to operating a bowling alley. During the last week in May, the new man's first week on the job, he made 11 separate sales of mutual fund shares. It looks as if Doug can pick 'em when it comes to building up a retail sales organization.

5½ to 6% From Bonds and Preferred Stocks

The **Keystone Company of Boston** has prepared a new folder called "A Planned Investment Program for Generous Income." It suggests the purchase of two of Keystone's bond funds and one of its preferred stock funds, a combination that currently returns nearly 6%. An excerpt follows:

"Almost a decade of steadily climbing living costs and an even longer period of rising taxes have made increasingly heavy demands on income.

"Higher taxes leave fewer dollars and, with rising living costs, each dollar buys less and less. Everyone has felt the strain of trying to maintain comfortable living standards and those on a fixed dollar income have faced a serious problem.

"The pressure could be eased or even eliminated in many instances by a more generous investment income. But how can investment income be increased without an unsound—an unwelcome—increase in risk?

"There is no such thing as riskless investment and in troubled times the risks are more difficult to appraise or guard against. Nor is there any way to eliminate all risks. Idle cash faces the risk of shrinking purchasing power and involves the loss of income. But some risks can be reduced and some can be eliminated. It is prudent to reduce the total risk so far as it is possible to do so.

"The Planned Investment Program has been designed to produce generous investment income with risk reduced."

His Doctor Scared Him

"Generally stories like this come to us fourth or fifth hand, but this time we had it from the man himself. He is a general partner of an important banking house and a man of wide acquaintance in the investment world. He dropped in to the office last week to tell us about a business survey of the country's industry which he had just completed. Just before he left, he told us this story which he has been telling on himself up and down the country.

"A couple of months ago, his doctor warned him that he had a dangerous heart condition. After he recovered from the shock, he began to worry about what would happen to his family if he suddenly died. He had two children, one just short of college age, the other younger. His wife had never bothered with financial matters. Clearly he would have to make some arrangement for their future.

"He went through a long list of friends and acquaintances and in each case there was something about their judgment he did not quite approve of or have confidence in. Finally, at about 2 a.m. on the third night, he thought of Incorporated Investors. He had known the management of this company for many years, he respected their judgment, the facilities for research at their disposal, and their collective investment philosophy.

"The next day he was at his lawyer's office. Together they drew up a new, and perhaps a unique will. It provided that on his death the lawyer, as executor, was to place the entire residue of the estate in shares of Incorporated Investors. The income from the trust was to be used for living expenses. Expenses over and above the budget, such as extended trips to Europe, a new house, etc., were to be paid out of capital gain dividends in years in which they were forthcoming. If no capital gain dividends were paid, there would be no trip to Europe that year."—From **The Parker Corporation** Letter.

The High Cost of Primitive Transportation

"A U. S. highway engineer, now in Turkey to help that nation plan a modern road system, recently checked the cost of Turkey's present ox-cart freight system. He found the carts usually haul a quarter-ton of freight five miles a day, or a total of 1¼ ton-miles. the cart driver gets $1.25 for a long day's work. So wages alone make the cost $1 per ton-mile—not counting the cost of the ox and cart, profit for the cart owner, or other items. The engineer found this $1 per ton-mile cost applies roughly to all forms of primitive hauling—to men carrying loads on their backs, on donkeys, on camels.

"In contrast, the usual charge for truck hauls in U. S. is less than 3¢ per ton-mile. This covers wages of all employes of the trucking firm, cost of the vehicle and its operation, and profit of the firm. Where the ox-cart driver gets $1.25 for a long day's work, U. S. truck drivers on a 10-hour haul get $16. But a typical 10-hour truck haul carries 10 tons of freight 300 miles (or 3,000 ton-miles). So the driver earns just over ½¢ per ton-mile, while the ox-cart driver is paid $1 per ton mile. 'To haul potatoes 20 miles in Turkey,' the engineer reports, 'costs more than the price the farmer gets for them. Farmers are poor and so are the haulers, potato merchants and customers—and the biggest reason is primitive transportation, which destroys wealth faster than men can create it'."—From "These Things Seemed Important," issued by **Selected Investment Co. of Chicago.**

Buying Power Down

MINNEAPOLIS—Only 98 cents in real income is at the command of the average American consumer for each $1 in buying power that was his in the same period last year, according to the most recent report on the monthly survey of cash incomes in relation to price levels by Investors Diversified Services.

Earl E. Crabb

This is the first time in two years that the real income index has dropped below the corresponding figure for 12 months before. The drop is ascribed to lower cash incomes of wage and salary workers and of farmers. Lower cash incomes have been made only slightly more valuable in terms of buying power by recent price drops. Income from investments continues to hold above the level of the 1948 period.

"The increase in unemployment and the tendency toward stabilized wage and salary rates naturally is reflected in any national study of real income," points out E. E. Crabb, President of Investors Diversified Services, a leading distributor of investment certificates. "Prices are becoming somewhat lower but the downtrend is apparently not sharp enough to make up for the loss in consumers' cash incomes. According to our estimate, it requires about $1.02 to buy the essential goods and services that $1 would purchase a year ago."

New Kidder, Peabody Dept. in Phila. Office

PHILADELPHIA, PA.—Organization of a Mutual Funds Department was announced by the Philadelphia office of Kidder, Peabody & Co., members of the New York and Boston Stock Exchanges and the New York Curb Exchange, at 123 South Broad Street. Robert F. Powell was named Manager of the new department.

In making the announcement, the firm stated that it believes the growing interest in mutual funds is one of the most significant economic trends of our times. It is opening up new sources of sorely needed capital for business and spreading the ownership of American industry among groups which heretofore have diverted savings to other channels. They believe that if this trend is to continue, expert professional guidance should be available to these new investors in industry.

Steiner Hansen With Eaton & Howard, Inc.

BOSTON, MASS. — Eaton & Howard, Incorporated, of Boston and San Francisco, announce that Steiner E. Hansen of Minneapolis has become associated with their organization. Mr. Hansen will represent Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund in several Middle and Southwestern States and will make his headquarters in Minneapolis.

Mr. Hansen is a native of Wisconsin and attended both the University of Wisconsin and the University of Minnesota. For the past 15 years he has represented Moody's Investors Service in the several states in which he will now represent Eaton & Howard, Incorporated.

N. Y. Security Dealers Annual Dinner in Dec.

The 24th annual dinner of the New York Security Dealers Association, at the Grand Ballroom of the Hotel Pierre on Friday, Dec. 2, 1949, at 6:30 p.m.

The second quarterly meeting of the Association will be held on June 21. It will be addressed by Wallace H. Fulton, Executive Director of the National Association of Securities Dealers, on "The 5% Philosophy."

Possible Effects of Economic Trends

By GEORGE B. ROBERTS*
Vice-President, National City Bank of New York

N. Y. bank executive analyzes such important long-term trends as population growth; rising wage costs; interest rates; commodity prices; taxes, and national income. Sees continued high increase in population growth and notes rising wage costs, along with upward price trends. Looks for continued low interest rates, and attacks policy of increasing tax burdens by heavier government spending. Warns powerful trends of growth in nation can be impeded by inflationary credit and unsound fiscal policy, combined with high taxes. Urges fight for sound government.

Today I am going to talk about economic trends. My assignment is, more specifically, long-term economic trends. Such trends are at the same time both more risky and less risky to talk about than short-term trends. Long-term trends are more risky because there is more chance to be wrong. It is difficult enough to predict only six months or a year ahead, let alone trying to predict what is going to happen 10 years hence. On the other hand, long-range predictions may be safer because by the time the future arrives no one will remember the predictions anyway.


George B. Roberts

Yet despite all the hazards of trying to guess the future, business does have to make long-range plans. This is particularly true of the utilities which must always keep a jump ahead of the population's needs. And just so long as business has to do long-range planning it will need to know about trends.

Growth of Population

Let us start, then, by considering population growth. While, strictly speaking, this is not an economic trend, it has such important economic effects that we shall include it on our list.

You may recall the dire predictions some 10 or 15 years ago of a falling birthrate in this country and declining rate of population growth which contributed so much to the "mature economy" philosophy of the '30s. Well, what actually happened? In answering this question I should like to present certain basic material from a most interesting address on "Long-Term Trends in Industry" by Donald Woodward, Vice-President of the Mutual Life Insurance Company, before the New York Society of Security Analysts.

Chart I shows the steep increase in recent years in the number of marriages to the highest in American history. While the peak was in 1946, the figure for 1948 was still at a high level.

This high rate of marriages is the result mainly of deferments during the war and during the depression of the '30s. While the rate seems likely to fall further in the years immediately ahead, there is, in the natural course of events, almost certain to be a correspondingly large number of marriages in another 20 to 25 years, again in 40 to 45 years from now, still again 60 to 70 years off, and so on over a long period.

One of the not surprising consequences of this high rate of marriages has been an unprecedented activity on the part of the stork, as revealed by the next chart showing the number of babies born.

Besides the high rate of marriages, the high birthrate probably reflects two things: first, a deferment of children during the war and the preceding depression; and, second, the high level of family income recently prevailing.

Whether the rate of births will remain high I do not venture to predict. The population experts are skeptical—though it may be noted that they were too pessimistic before and did not anticipate the present development. This much, however, seems fairly certain—the big crop of babies now means another big crop some 20 years hence, another some 40 years hence, and so on as in the case of the marriage rate.

What these facts seem to suggest is that the population projection curves have been shaped too low, influenced possibly by the experience during the '30s, and that actually population growth is destined to exert its buoyant influence more intensely and over a longer period than has been entering into recent calculations.

This, I think, is one of the first points to be noted in connection with economic trends.

Rising Wage Costs

We turn next to another major long-term trend which has shown unusual persistence. As the next chart shows, the wages of labor have tended steadily upward over a long period of years. There have been setbacks at times, but they have never wiped out the preceding gains, and soon the rise was resumed to still higher levels.

This advancing trend of wages, accompanied by reduction in working hours and general improvement in working conditions, is one of the amazing phenomena of economic history. It has been made possible only by the continuous introduction of more and better machinery and mechanical power. Today, after the great rise in labor costs which has taken place as result of the war and of the increased economic and political strength of the labor unions, the incentive for the use of labor-saving equipment is greater than ever.

The next four charts, comparing the cost of human labor with costs of various kinds of labor-saving equipment over a period of years, will emphasize this point. And here again we turn to Mr. Woodward's paper for illustrative material.

This chart shows the trend since 1910 of average hourly wages paid to labor in the manufacturing industries, compared with the cost of electric power to a large commercial user. It shows the extraordinary cheapness of a kilowatthour of electrical energy compared with a manhour of human energy.

This chart shows the cost of farm labor over a long period of years compared with prices of farm equipment, as computed by the Department of Agriculture. It indicates what a great bargain farm equipment has become relative to farm labor.

The next chart shows the cost of a maid for the home as compared with the cost of a sewing machine, as illustrative of household labor-saving devices.

Finally, the next and last of the four charts dealing with comparative costs shows the cost of office labor as indicated by a typist, compared with an average of four types of office equipment — an adding machine, a typewriter, a letter file cabinet, and an office safe.

One of the great difficulties about comparisons of this kind is in making allowance for constant improvement in quality of labor-saving equipment. Were it possible to do this, I am satisfied that the story told by these charts would be even more impressive. The fact is that conditions have never been so propitious—indeed more compelling—for the substitution of mechanical labor for human labor in the factory, on the farm, in the office, and in the home. And all this means more and more use of electric power.

There may, of course, be times of temporary check to this rising curve of power demand, coinciding with cyclical downturns in general business. Possibly we are approaching such a period now. But over the long run the stimulus normally associated with a healthy increase in population, with all its manifold wants, together with the powerful and still more significant drive towards mechanization in every field, gives promise of continuing the growth which has been an outstanding characteristic of the electric power industry. Like Ol' Man River, "it jes keeps rollin' along."

Interest Rates

There are, of course, other major long-term trends that enter importantly into business calculations. Two of these are interest rates and commodity prices. Now obviously anyone talking about trends in these fields enters upon slippery ground. Nevertheless, certain tentative suggestions may be put forth.

The next chart traces the course of interest rates, as represented by short-term commercial paper and long-term railroad bond yields over the past 100 years.

The chart brings out the abnormally low levels to which interest rates, both long- and short-term, fell during the '30s and '40s. This was due, first, to huge gold imports and sluggish demand for capital during the '30s, and later, during the war, to the cheap money policy adopted for floating the war loans.

After the war, interest rates, though permitted some slight upward adjustment, have continued to be held relatively low by the government's policy of supporting Treasury bond prices and preventing an increase in the interest cost of the national debt. Not only were interest rates kept from exercising their natural role in keeping money demand and supply in balance; the process itself of pegging markets involved inflationary additions to the money supply at the very time when inflationary pressures in the economy at large were already a serious problem.

In short, by making stability of interest rates and bond yields the primary objective of credit policy, the monetary authorities found themselves forced into actions that tended to accentuate instability in business, and increased the risk of boom and bust.

Looking ahead, we can, I think, take it for granted that the government, with its huge responsibility for managing the national debt, will want to continue control over interest rates. But such control may come to be exercised less rigidly. As times goes on, we should get further away from the idea of a fixed pattern and level of rates, and move instead towards a more flexible policy that will allow wider latitude for the natural economic forces to be reflected in the interest rate and to the Federal Reserve for influencing money and credit volume.

Commodity Prices

The next chart traces the course of commodity prices in the country since 1770. It shows that each of our great wars produced a great inflation of prices, and that in the past each of these great inflations was followed by a great deflation. World War II was no exception as to inflation, and already prices have turned down from the peak in a manner uncomfortably suggestive of previous postwar deflations. The question is, where are we heading?

Any positive answer as to where prices are going I leave to those who are more venturesome in forecasting than I. However, looking over the record of 1920, it is interesting to note that prices, after the precipitous decline that wiped out about two-thirds of the wartime rise, reached a plateau of stability at around 50% above prewar which held until the collapse starting in 1929.

Today there are factors in the situation, not present in 1920 (at least to the same degree) which may cushion the decline in prices and prevent it from going as far as it did then. In the first place the great increase in the money supply during World War II, which played so large a part in making the boom, was based largely on government rather than private borrowing from the banks. Since government debt is not likely to be reduced rapidly, and may increase, there will not be the same drain on current purchasing power to pay off private bank loans as in the past periods of liquidation. Secondly, the strength and determination of organized labor to transfer an increasing proportion of the gains from technological progress into higher wages tends to keep prices up. Thirdly, we have government props under agricultural prices. Finally, we cannot overlook the possibility of inflationary government action through pump-priming or so-called "compensatory spending" being introduced at an earlier stage than before.

All these factors of wage policy, government price supports, and government spending exert — by their effect on costs or in dilution of the money supply a long-range bias towards higher prices. Of course a bias of this kind works only intermittently, and there are forces operating in the other direction—notably the technological progress in agriculture and industry which is working always to increase output and to reduce costs and prices. We need only remind ourselves of what has happened in recent years with hybrid corn, rubber, aluminum, synthetic

(Continued on page 43)

*A talk by Mr. Roberts before the 17th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1949.

The Public Should Be Told of Utilities' Achievements

By PHILIP SPORN*
President, American Gas & Electric Service Corporation

Asserting no other country has done a better job in supplying adequate electric power and in keeping down operating and other costs than the privately operated American electric power companies, prominent utility executive urges public be made aware of this achievement. Says ingredients that went into "miracle" wartime and postwar electric production have been used up and problem in future will be more difficult.

What other nation playing a dominant part in the affairs of the world has met the challenge of the power problem as we have met it? Russia? France? Great Britain? Canada? We haven't any statistics that are too reliable on Russia, but from what we have, and from precise information available on the performance in the other three countries, there is no question that the performance, electric power-wise, of any of the four nations that I have mentioned doesn't begin to approach the record established by the electric power industry in the United States. Independently of the fact that the United States electric power production is over 50% greater than the combined production of Canada, France, England and Russia, the growth in production of the United States has been far greater in the past decade than in the four countries combined, and has represented an increase of 122% in this country, as against a maximum of 60% for the four country combination. And it is not unimportant to point out that whereas all energy production in France, England and Russia is today nationalized, and a substantial percentage of the Canadian production is in government hands, over 80% of the United States production is carried out by private industry.

Philip Sporn

But it is on the unique job we have done in keeping costs of our service down while the cost of the components entering into service have been steeply rising that we have likewise done the poorest job in telling the true story of our achievement.

I have been asked time and again by members of regulatory commissions, by a good many of our large consumers, by professors of engineering at some of our leading schools, and by professional economists, for an explanation as to how we have been able to control costs as well as we have. The reason these people asked the question is because they truly didn't know, and they were interested. They didn't and don't know because we haven't told them: And that I think is bad.

Now why haven't we told that story? There are a number of reasons. But I believe that perhaps the principal reason for the failure to tell this story is the lack of comprehension on our own part as to what is behind the cost performance that we have turned in over the past decade.

To the extent that that is the case, the situation is even more grave, and I would like to remedy it in this talk and to show what is behind this apparent miracle. Of course there will be time only for bringing out the highlights. But if we can find the main factors that have helped bring about the performance that we have turned in; if we chart what is ahead, and particularly whether the same factors that have been taken advantage of in the job that we have done to date will or will not still be available to us in the years to come, we should be in better shape to plan what we must do to control costs to be able to continue to keep rates down as much as they can be kept down, and so to be able to continue to make electric energy and electric service the best consumer buy in the entire social economic field.

I believe that this is most important considering that we may not be able to complete the present expansion cycle without some further rate adjustments. Under these conditions it seems to me it is important to bring to bear on this problem all the power of analysis we possess, and specifically:

(1) To point up the job that has been done to keep costs of electric energy and electric service down in the face of all the adverse economic factors that have tended to make it rise.

(2) To try and determine the basic causes of the performance to date and the contribution that each cause has made to that performance, and

(3) To point up those steps and processes that can continue to be taken advantage of, or that need to be further developed, to bring about further cost reductions so as to be able to maintain as closely unaltered as possible one of the basic economic supports of the industry—reduction in cost of service as service expands and develops.

If you examine the performance of the electric power industry over the decade 1939-1948 you will find that:

The noncoincidental demand increased from approximately 28,-700,000 kw to 53,750,000 kw, an increase of 87½%;

The kwhr generated increased from 127,600,000,000 kwhr to 282,600,000,000 an increase of 122%;

The average realization per kwhr in the same period declined from 2.16c in 1939 to 1.79c in 1948, a decrease of 17.1%, but the domestic realization went down from 4c per kwhr in 1939 to 3.01c. in 1948, a decline of 25%.

It is true that over the past few years there have been some rate increases, but these have been of minor significance. Thus the total rate increases granted in 1947, 1948, and pending in 1949 just about equal the rate reductions put into effect in the immediate postwar period and mostly in 1946—both amounting to approximately $100,000,000 a year.

Except for the figures of demand and kilowatt hour generation which were 25,100,000 kw and 43,100,000 kw, and 115,078,-000,000 kwhr and 228,165,000,000 kwhr—increases of 72% and 98% respectively—the performance of the private utility industry was otherwise almost exactly the same. All this while the BLS cost of living index went up from 100 to 171.4, the average hourly wage went up from 86.9c. to $1.46, an increase of 68.3%, and the cost of coal equivalent fuel went up from $3.10 per ton to $6.47 per ton, an increase of 108½%.

Significant Figures

How, in the face of such an expanded demand, which presumably should have required a corresponding expansion in facilities of the electric utility systems, and how in the face of the almost doubling of the costs of labor and material entering into the operation of power systems, was this apparent miracle of lower costs brought about? Let us take a look at a few significant figures:

The investment account of the private utility industry stood at $14,075,000,000 average for 1939 and on a comparable basis, at $16,850,000,000 in 1948; this is an increase of $2,775,000,000. Had there been an increase in utility plant corresponding to the increase in demand during the decade, the increase in investment should have been $10,400,000,000: the actual increase was, however, just about ¼ of that.

What is the answer to the mystery? Well, I believe there are at least three parts to the answer:

The most important is reduced reserves. In 1939 the reserve in generation capacity measured in terms of the demand of 25,100,000 kw. was 35%, but the corresponding 1948 figure on a demand of 43,100,000 kw. was 5%. This is not the place to discuss whether 35% reserve was necessary in 1939, and whether it might have been held down to a lower figure. The contraction in the generation reserve from 35% to a figure of 5%, if the assumption is made that similar contractions took place in margins of reserve available in transmission, distribution, and general plant, represents an availability without any additional expenditure of plant representing a value of $3,-540,000,000. In the same period there occurred a write-down in the plant accounts to original or aboriginal cost of approximately $1,385,000,000. Again, without going into the merits or demerits of the particular operation, it is a fact that by this process there disappeared from the books of the utility company systems either old plant or new plant, or merely disappeared, a figure of $1,385,-000,000.

If now you add the sum of these three figures, i.e., actual increase in plant account, amounting to $2,775,000,000, utilization of margin in old plant of 30%, amounting to $3,540,000,000; and write-down, amounting to $1,385,-000,000; you arrive at a total figure of $7,700,000,000. The difference between that and $10,-400,000,000 is $2,700,000,000; that represents the integrated effect of a series of factors, some plus and some minus, covering such elements as saving in cost as a result of incremental additions at less than average costs, increases in cost as a result of higher cost indices, and savings in costs as a result of new methods and new ideas utilized in planning, design and construction.

The second basic cause of the ability of the power industry to hold down production costs has been improved economy in the use of manpower. This is easily comprehended when you note that the average number of employees in the industry increased less than 14% between 1939 and 1948, while output increased 122%, and demand 87½%. I have no accurate data available as to variation in the composite figure on employees cited above between construction and operation, but there is every reason to believe that the percentage relationship between construction and operation was not materially different for 1948 than for 1939, and that approximately 80% represents operating employees. Obviously, a large part of the reason for this apparent great improvement in efficiency of the use of labor is due to the contraction in the margin of reserve. It takes almost as many men to operate a plant where 20 to 25% is kept in the form of reserve, as it does when the plant is operated to its capability limit, and this is even more true in the case of transmission and distribution facilities.

It is apparent also that the increased production brought about by the improvement in load factor, accounting for approximately 42,750,000,000 kwhr. of the total 282,600,000,000 kwhr. produced in 1948 was obtained at almost negligible increase in labor employed. Nevertheless, a substantial portion of this economy in manpower has been brought about by positive steps — by changes in designs and techniques. This, however, will be brought out more clearly later on.

With these two elements determined, the analysis of the unknown becomes simpler and the apparent miracle can be wholly explained and understood on a rational basis. The basic reason for the record on costs established by the industry is a three part one: a sharp reduction in the amount of plant per kilowatt and kilowatt hour sold; less manpower per kilowatt and kilowatt hour; and the integrated effect of numerous techniques and devices designed to reduce capital and operating expense.

All this is splendid as far as it goes. But there is danger here too. For while there remain unquestionably additional opportunities for incremental expansion of capacity, the opportunities aren't available to anywhere near the same extent as they were say 10 years ago.

The business of writedown to original cost has also been completed. Above everything else there is general agreement that the present margins of reserves are inadequate and that an approximately additional 15% of margin will have to be restored to bring the balance between capacity and demand into proper and safe relationship.

On top of these is the fact that this additional capacity has to be brought in with startling rises in the indices of construction costs for 1948 as against 1939—for example, using 1939 as 100, we find the following figures for 1948: building cost 210; steam-electric stations, 175; transmission line costs, 165; distribution costs, 185; total utility plant, very close to 170.

It is clear from all of this some of the principal ingredients that went into the making of the apparent miracle having been used up, it will be more difficult to perform the miracle a second time. Unquestionably the infringement on the reserve, the taking full advantage of incremental costs, the saving in manpower that exploitation of margins of reserve made possible, and the improvement in load factor—which increased some 9 points from 50.8 in 1939 to 59.9 in 1948—have been heavily responsible for keeping costs of electric service down. Between them they have accounted for perhaps from ½ to ⅔ of the total savings. The balance was contributed by scores of capital and operating savings that have been developed in that same period.

*Part of an address by Mr. Sporn before the 17th Annual Meeting of the Edison Electric Institute, Atlantic City, N. J., June 1, 1949.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Thomas W. Cotter has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 10 Post Office Square.

The Safety of Risk

By EDWARD C. GRAY*

Executive Vice-President, New York Stock Exchange

Asserting speculation and risk-taking are desirable activities, when responsibly conducted, N. Y. Stock Exchange executive warns vanishing supply of risk capital is grave economic danger. Says it endangers safety of investment bonds, since it is sufficiency of risk capital that protects these issues. Contends capital financing as whole is below amount needed by industry and lays dearth of risk capital to: (1) shift in income distribution; (2) indifferent attitude of labor toward savings; and (3) high progressive rates of taxation. Urges repeal of capital gains tax.

My subject is "The Safety of Risk," and no pun is intended. For me to talk to you about the safety of risk must seem strange, but I believe it is a subject in which we have a mutual interest. Both the stock market and the profession of public accounting depend upon risk-taking. Both the public accountant and the New York Stock Exchange are concerned with the results of risk-taking in terms of its value to the investing public. Both serve in a sense as catalysts between the investor and management, merging them into a solid unit of ownership.

Edward C. Gray

History is filled with examples of how the public in a frenzy of excitement carried risk-taking to the point of hysteria. Such economic phenomena are too well known to require their recital here. But history, to my knowledge, has not recorded any public delirium comparable to that we are now experiencing when the rage is for security, when very few seem willing to take a risk. I do not mean just security in investment. Too often, when a young man goes job-hunting these days, his first question is not "How's chances for promotion?" but "What hours will I have to work and what kind of a pension will I get?"

Nature abhors too much of anything. Both over-exertion and indolence receive short shrift, whereas moderation is steadfastly rewarded. The same is true in economic law. Speculation or risk-taking are desirable activities when responsibly conducted. It is only when we have too much of them that we suffer. When the pendulum swings too far toward a search for security and we have too little risk-taking, a slow poison is created, consuming the vitality of an America that has grown great by taking risks.

The intensified search for safety by the American public is creating a new danger—danger for business, danger for nearly 80,000,000 people who indirectly own bonds through banks and life insurance companies, danger for our whole economy.

I know that many of you have already seen this danger. I believe that we can find a way to avoid it.

The Stock Market Barometer of Risk Capital Supply

The stock market may not be the general barometer of business that some people think it is, but it is at least a barometer of the supply of risk capital. And we've been trading less than a million shares a day, while industry has been financed with billions of debt capital. At present, the expansion of industry is being financed more and more on debt, less and less on equities.

Some recently formed gas pipe line companies are starting out with 80% of their capital in the form of debt.

Risk capital locked out, industry expanding on debt and its own earnings—that's the financial picture of recent years.

In the three post-war years 1946, 1947 and 1948, new debt financing totaled more than $14 billion, common stock financing $1.9 billion. New debt is nearly 7½ times new common stock capital—all this at a time when business was at an all-time high in sales and earnings. The prewar ratio of "debt capital" to risk capital was about 3 to 1—there was $3 of non-venture money to each $1 of venture money. Today the margin is around 5 to 1. That is only $1 risk coverage to $5 of non-venture money.

Just to keep our thinking straight, let us keep in mind that fixed income payments have to be made out of operating profits of surplus just as dividend payments do. If operating profits decline what happens? Well, you know the answer, but it's worth repeating. In a prolonged decline, the more the corporation is working on debt capital, the more serious its financial difficulties become. The more it is working on risk capital, the more chance it has of "sweating it out" through any depression.

Sufficiency of Risk Capital Protects Bonds

It is primarily the prospect of unbroken payments that makes the fixed-income securities so much desired for investment. No bank relishes the idea of having to take over a little plant on a defaulted mortgage and run it in competition with a big plant. Bonds are bought in the search for assured income. **And the thing that protects bond investment—gives it safety—is a sufficiency of risk capital in the company.**

In other words, risk capital—equity capital—is the buffer, the shock absorber, the safety factor, for the bonds and bank loans.

How good is that shock absorber? How safe is our safety factor?

So far as the equity market is concerned, 1946 was the most active of recent years.

The need for capital, of course, cannot be measured in terms of a fixed or constant amount. It varies according to the volume of business. Probably the best gauge of capital needs is the level of production. So let's compare the relation between the amount of new equity capital and the level of production for 1946 with the situation in the prosperous years of the mid-twenties. Equity financing in 1946, figured in relation to the gross national product, was only 36% of the 1924-1927 average.

All recent financing put together—new risk capital and new debt capital combined—is still far below the needs of American industry. Prof Sumner H. Slichter of Harvard says that American business as a whole has far less capital per worker than it had in either 1929 or 1940. He calculates that to restore it to the 1940 figure would require an investment of about $43 billion, but notes that even this amount would leave a deficiency. Invested capital per worker has normally increased about 2% a year. This increase has provided the added machine power and efficiency to raise the rate of production per man hour—the sort of constant growth on which industrial progress depends. Furthermore, the cost of new facilities, is going to remain much above prewar cost. So that, even if we restored the 1940 level of investment, we would still be short of the need.

Where is the money to come from? The major portion of recent investment outlay was financed out of the internal funds of business—chiefly out of accumulated depreciation reserves and undistributed profits. The next largest portion was met by sale of bonds to institutions, mainly insurance companies. Only an insignificant fraction was obtained by the sale of common stocks.

It has been estimated—and very conservatively estimated—that the current need for risk capital, equity capital, is $4 billion a year. What are we getting? In 1946—the biggest of recent years — the amount of new common stock flotations was $729 million.

Financial Stake in New Enterprises

There is still another way in which the decline in the supply of risk capital is a menace to both institutions which lend money and to individual business men. Institutions which buy bonds are in constant need of new opportunities for investment. It is important to them that new enterprises should be formed, grow strong, expand and mature to the point where their bonds become sound investments. From every point of view, the institution has a direct interest in seeing to it that our whole economy continues to expand. But, leaving aside for the moment any broader and more general considerations, every individual — you accountants, for example—have a financial stake in the encouragement of new enterprise. And how can you create and develop a new business if your sources of risk capital dry up? You can't build a business, whether it's a hot dog stand or another Standard Oil, on nothing but debts.

The more general considerations are just as real as those you can wrap in statistics. In the long run, they have just as much effect on the balance sheet. For example, banks are a major element in the whole life of these United States; they are a social and an economic factor as well as a financial factor. Whatever affects the general welfare, affects banks. They are great and prosperous now because the country has grown great with productive enterprise. And American enterprise was built by people taking chances — built, in a very literal sense, by risk capital. We must continue to build it, or the whole economy will collapse. Throughout history, every civilization has disintegrated when it ceased to grow. A constantly increasing supply of risk capital is a basic necessity of the whole structure of business of which you are a part and on which you depend now or will depend for your existence.

It is a life-or-death matter to the American economy that our citizens venture their funds and that they should find it profitable to do so.

The supply of risk capital is diminishing rapidly. If we are going to avoid trouble, we shall have to figure out the reasons why and do something about it. We must destroy the public apathy that exists with respect to one of the most serious problems that confronts the country today.

Any major trend results from an interplay of forces. It may not be possible to counteract some of the forces, but, by stemming others, we can still turn the movement away from the channel of danger. We face a complex of forces here. Some elements are probably part of a long-range and universal movement that may never be reversed. Others can be changed. I am convinced that there are elements in this drought of risk capital which can be corrected quickly.

Shift in Income Distribution

One thing which has helped to reduce the supply of risk capital is the shift in income-distribution. Genuinely new capital funds must, of course, represent some sort of accumulation of income. Otherwise, the investment is simply a shifting of capital from one place to another, not the creation of new capital.

For many years, a larger and larger share of the total national expendable income has come into the hands of labor, an ever smaller share into the hands of those who depend to any considerable extent on their investments. In recent years, the movement has been accelerated. It is world-wide, and it is part of a long historical development whose roots go back at least to the eighteenth century.

A second element is the attitude of labor toward its savings. The wage earner and the salaried worker are not accustomed to the idea of investment. They know little of stocks and bonds. Moreover, while, as a class, they are getting an increasing share of the national income, individually their savings do not flow to any great extent into the overall supply of risk capital. Their savings go chiefly to the savings banks and the insurance companies. In time, perhaps more of this part of the national income may go into risk capital, as the individual savings from wages and salaries grow larger and as workers form investment habits.

A third major force in drying up the supply operates on those who have always been the largest source of new capital—those in the higher income brackets. This force is the tax structure. There is no inducement to risk capital in hope of large returns when you can't keep the returns if the venture succeeds and will certainly lose the capital if it fails. To a man of substantial means the income tax law says: "Don't put your money into a business venture. If you do, it's heads you break even, tails you lose. Put

(Continued on page 47)

*An address by Mr. Gray at the Annual Dinner Meeting of the Mu Chapter of Beta Alpha Psi Fraternity of New York University, New York City, June 4, 1949.

Canadian Securities

By WILLIAM J. McKAY

Never was it more necessary than at the present critical juncture to eschew politics and face realistically the economic facts of life. During the past boom era of the seller's market wide publicity was given to a wealth of favorable statistics. Even when the bubble burst it has been deemed necessary in the interests of political expediency to continue to focus public attention in the Dominion on past achievements of a finished era. In view of the imminence of the Canadian Federal election an artificial atmosphere has been created to the extent that judging from economic reports emanating from north of the border, there is not the slightest cause for anxiety concerning Canada's economic future.

Canadian Trade Minister Howe in his recent reply to a brief submitted by the Canadian Exporters' Association calling attention to the obstacles being encountered by the Canadian export trade, describes as nonsense the statement that trade relations with Britain were deteriorating. At the same time in the course of a nationwide election campaign radio speech, Mr. Howe flatly maintained that Canada's trade is in "a healthy position." The April trade figures certainly would appear to confirm this impression as exports to Britain showed a remarkable increase of about $25 million. An analysis of the situation reveals however that in comparison with last year shipments of wheat under the U. K.-Canadian agreement showed an unusually sharp increase. The more vital trade balance with this country on the other hand again provided disquieting evidence of a widening deficit.

This is clearly not the time for complacency especially in the case of countries which are dependent in large degree on the maintenance of export markets. The position of Canada in particular is now especially vulnerable for the following reasons:

(1) The certainty of intensified competition for export outlets for farm and forestry products, and the sharp decline in the price-level of base metals.

(2) Loss of ECA benefits in the shape of large-scale off-shore purchases in view of increasing surpluses and favorable harvest prospects in this country.

(3) The probable sharp decrease in comparison with last year in meat exports to this country which were boosted in 1948 following the removal of the Canadian embargo on cattle and sheep exports to this country.

(4) The untimely raising of the Canadian dollar to parity with the U. S. dollar on unrealized fears of continued inflationary conditions south of the border.

(5) The probability of Sterling devaluation with its inevitable repercussions on the Canadian economy.

(6) Absence of a definite economic treaty with the United Kingdom; Canada shares none of the benefits of inclusion in the Sterling area but is exposed to the influence of any unfavorable British economic developments; failure to take steps during the war to secure a permanent trade pact with this country leaves the Dominion without an economic anchor of any kind.

(7) The extremely limited domestic market in relation to the Dominion's extraordinary high volume of per capita production.

Thus the steering of the Canadian economy through the present troubled waters presents a formidable task, the successful accomplishment of which will require a frank recognition of the current economic facts involved. As far as the long-range prospects are concerned there is little room for pessimism — Canada's enormous wealth of undeveloped natural resources and the virility and soundness of her people are basic factors that ensure intimate healthy progress. The immediate future however calls for a maximum of high-level statesmanship and a minimum of resort to political expediency.

During the week there was again evidence of an apparently decided turn in the tendency of both external and internal bonds. Whereas activity has until recently been limited by the dearth of supply now it would appear that the position has reversed and the market turnover now depends on ability to find large-scale outlets. The "free" Canadian dollar also showed a tendency to break away from its firmly supported high level of recent weeks but the corporate-arbitrage rate on the other hand still remained steady. Stocks again displayed pronounced weakness and touched the lowest level reached for the last seven years. Western oils and the base-metals issues staged an interim rally but finally gave way with the rest of the market. Only the golds gave any evidence of resistance to the general downward trends.

Heads Royal Bank Agency in New York

Edward C. Holahan has been appointed head of the New York Agency of The Royal Bank of Canada to succeed Norman G. Hart, who retires on June 30, according to an announcement by the bank. The promotion of Joseph W. Ganann to succeed Mr. Holahan also was announced.

Mr. Holahan is a native of Brooklyn, N. Y., and joined the New York Agency of the bank in 1911. He has been agent since 1929. Mr. Ganann was born in Hamilton, Ont., and has been service with the bank in various branches in Ontario and in the Supervisor's Department in Toronto. He joined the New York Agency in 1939 and was made assistant agent in 1945. Mr. Hart, head of the New York Agency since 1938, will retire on pension after a long and distinguished career with the bank in Canada, the United States and Europe.

Present Opposing Views On Funds for SEC

Cyrus S. Eaton, Ohio industrialist and investment banker, charging Securities and Exchange Commission has grown into vast bureaucracy and is throttling capital markets, urges its appropriation be cut 50%. Edmund M. Hanrahan, SEC Chairman, says reduced appropriation would make impossible regulations of securities dealings as the law requires.

Cyrus S. Eaton, prominent Ohio industrialist and investment banker, largest stockholder of Otis & Co., Bankers of Cleveland, Ohio, appeared before a Subcommittee on Independent Offices of the Senate Committee on Appropriations on June 2 and proposed that the sum of $5,750,000 to be allotted to the Securities and Exchange Commission for the 1950 fiscal year be reduced by as much as 50%. This proposal was strongly contested on June 7, by Edmund M. Hanrahan, Chairman of the SEC, who contended that any reduction in the appropriation for his agency would impair its ability to regulate securities dealings as required by law. We publish below the statement made by Mr. Eaton to the subcommittee and excerpts from the statement made by Commissioner Hanrahan.

Cyrus S. Eaton E. M. Hanrahan

Text of Mr. Eaton's Statement

The formal statement made by Mr. Eaton before the committee follows:

My considered belief is that the nation's economy would obtain a greatly needed lift if the SEC's appropriation for the coming fiscal year were drastically reduced to an amount substantially below the $5,750,000 now under discussion. Certainly, under no circumstances, should the Commission's proposed budget be restored to the inflated, higher figure originally requested.

The SEC was created to bring order to the capital markets, not to throttle them. But the Commission has over the years grown into a vast bureaucracy, swarming with lawyers and technicians who have seemingly dedicated themselves to preventing American industry from financing itself by selling its securities publicly to individual investors.

To read the SEC's pious and self-righteous appeal to the Congress for funds, one would think that the Commission is composed completely of ideal, wise men, while the entire business community is made up of crooks and racketeers. As for the investing public, its members in the SEC view, are all simple-minded saps, who would be constantly swindled by universally dishonest securities dealers were it not for the SEC's unceasing, lone-handed vigilance.

The Congress will hardly be taken in by this propaganda. Business men, investors and securities dealers, alike, are by and large pretty decent human beings, all frankly imbued with the good old American ambition of making money. An analysis of the SEC's 20% annual turnover would

(Continued on page 47)

Denies Otis & Co. Petition Against NASD

Judge James W. Morris of U. S. District Court, in refusing petition of Otis & Co. for injunction against National Association of Securities Dealers, Inc., holds firm has not exhausted resources within NASD and SEC as remedy for complaint. SEC to ask Supreme Court review of U. S. Court of Appeals decision, which ruled against it in case revoking Otis & Co. dealer license.

On June 7, Judge James W. Morris of the U. S. District Court for the District of Columbia rendered a memorandum decision in the complaint of Otis & Co., investment bankers of Cleveland, Ohio, against the National Association of Securities Dealers, Inc., the Securities and Exchange Commission et al. In the complaint an injunction was sought to vacate a decision of the Business Conduct Committee of District No. 10 of the National Association of Securities Dealers, Inc., whereby Otis & Co. was ordered suspended for two years from membership in the NASD for refusing to divulge information demanded by the Business Conduct Committee in connection with the controversy relating to the Kaiser-Frazer stock offering last year.

The instant action is related to a prior one in the same court in which the SEC sought to enforce a subpoena against two attorneys for Otis & Co., to compel disclosure of certain communications (notwithstanding the claim of immunity as privileged ones between client and attorney) on the ground that a *prima facie* showing of fraud had been made. The court, however, ruled that no *prima facie* showing of fraud had been made and refused to issue an order to enforce the subpoena.

In rendering his decision, Judge Morris took the position that the plaintiff has not exhausted the means whereby, within the NASD organization itself, it could have the disciplinary action taken by the District Business Conduct Committee reviewed and set aside by the NASD itself or by the Securities and Exchange Commission, if needs be. Thus, the text of the decision states:

"It is provided by the rules of the Association that any disciplinary action by a District Committee shall be subject to review by the Board of Governors, either upon its own motion or upon application by any party aggrieved thereby, and that application to the Board of Governors for review shall operate as a stay of any such disciplinary action until a decision is rendered by the Board of Governors upon such review. Application for review of the action taken by the District Committee has been made to the Board of Governors, which review is awaiting disposition of the instant action. It is provided by statute that, if any registered security association shall take any disciplinary action against any member thereof, such action shall be subject to review by the Securities and Exchange Commission, and such application to the Commission for review shall operate as a stay of such action until an order is entered upon such review. It is further provided by statute that any person aggrieved by an order issued by the Securities and Exchange Commission in connection with such disciplinary action may obtain a review of such order in the Circuit Court of Appeals of the United States within any Circuit wherein such person resides, or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such Court within 60 days after the entry of such order a written petition praying that the order of the Commission be modified or set aside in whole or in part. While the statute provides that the petition for review shall not operate as a stay of the Commission's order, unless specifically ordered by the Court, obviously the Court may, upon application, grant such stay. Surely such Court is fully competent, not only to settle any questions of law involved in this controversy, but also to deal with any factual malfeasance on the part of the Association, the Commission, or members thereof, alleged in the present complaint, in so far as such alleged conduct affects the validity of any order it has under review."

"It is thus apparent," continues Judge Morris, "that the plaintiffs have not yet exhausted their remedy even before the final authority of the Association, and in the event they are aggrieved by the action of that authority, statutory provision is made for review by the Securities and Exchange Commission, from the action of which, if they are aggrieved, specific statutory provision is made for judicial review. Furthermore, it is equally apparent that no final action adverse to the plaintiffs can be effective until they have had opportunity to apply to the Court of Appeals for a stay of such action. If the plaintiffs could be coerced, either by the Association or the Securities and Exchange Commission, in divulging the communications which have been held to be within the attorney-client privilege short of a judicial determination that the plaintiffs could be legally required in the circumstances to divulge such confidential communications, I would not have the slightest doubt that this Court could and should undertake a determination of the rights of the parties with respect to these questions; but that is not the case. The plaintiffs have a clear right to insist upon a judicial determination by a constitutional court of the right of the Association to require a disclosure of privilege communications which would destroy such privilege before being made to suffer the severe sanctions imposed by the Committee for non-disclosure. By insisting upon such right, they may secure it."

Judge Morris also decided that there is nothing adverse to Otis & Co. in the NASD's proposed publication of the history of its investigation of its controversy with the Kaiser-Frazer Corporation, since the firm has already brought all the matters to the public attention in its actions in the courts.

SEC Announces Plan to Appeal in Otis Case

Edmund M. Hanrahan, Chairman of the Securities and Exchange Commission, announced on June 7 its plans to appeal to the United States Supreme Court against the judgment rendered by the U. S. Circuit Court of Appeals in Washington on June 1, that there was insufficient evidence of collusion against Otis & Co. in connection with its stock-selling contract with the Kaiser-Frazer Corporation and therefore the SEC cannot proceed further on that ground to take away the broker-dealer registration of the investment firm.

Public Utility Securities

By OWEN ELY

Southern Electric Utilities as "Growth" Stocks

Electric utility companies in the South—both operating and holding companies—have made interested records in recent years. Most of the southern companies have been favored since the war with an abundance of natural gas, both for distribution and use as boiler fuel. Growth of industry and personal income in this area has been faster than for the U. S. as a whole. Another favorable factor is the more flexible regulatory conditions in the South, particularly in Texas and Florida where there are no state commissions; commissions in other southern states appear to be less "hard-boiled" than some of the northern commissions, particularly New York's. Following are comments on some of the more important southern stocks:

Southwestern Public Service has an outstanding market record. After adjustment for a 1947 stock dividend, the stock has increased in price tenfold from its 1942 low of 2¾. Each year since 1942 both high and low prices have advanced over the preceding year, except that this year the high has not yet quite equaled last year's 29⅜. (This is perhaps accounted for by the stock offering some weeks ago). Despite three subscription rights and resulting profits dilution in recent years, earnings have reflected a steady gain over the past five years, and it is estimated that they may approach $2.85 for the calendar year 1949. At the current price the stock yields about 7%. The company has an aggressive management, which has successfully maintained plant capacity at an ample level, permitting power sales to other utilities as well as efficient generation of the company's own needs.

Southwestern Electric Service—This company was "split off" from Southwestern public service in 1945, acquiring the electric and ice properties of that company located in east-central Texas. The properties consist of two separate systems, the Jacksonville and Marlin-Mexia groups. The business is largely residential and the company earns about 7.3% on net plant account. The stock sells over-the-counter around 11½ and pays 80¢, yielding about 7%. Dividend policy has been conservative. Earnings for the 12 months ended February were $1.33.

Gulf States Utilities' stock was distributed by Engineers Public Service in the virtual dissolution of that company several years ago. The stock, which is listed on the Exchange, has shown a rising trend from 11½ in 1947 to this year's high of 20. At the current price around 19 the stock yields 6.3%. The $1.20 dividend is amply covered by earnings of $1.60 for the 12 months ended March 31 (based on an increased number of shares after the stock offering early this year).

El Paso Electric, traded over-the-counter around 27, was also formerly part of the Engineers Public Service system. The stock has not made such an impressive record marketwise as Gulf, though it is up from the 1947 low of 21½. The dividend rate has been maintained at $1.60 to yield currently about 6%. Earnings have shown steady but not spectacular gains in recent years.

Houston Lighting & Power—This company serves one of the fabulous growth cities of Texas, and revenues have more than doubled since 1940. Net earnings have improved from around the $2.50 level (maintained during 1937-45) to last year's $3.68 and accordingly the $1.80 dividend rate (maintained for many years prior to 1947) has been increased to $2.20. Due to its size and record, the stock has for some time been selling on an investment basis with a relatively low yield as compared with other southern stocks. The company is currently offering rights to subscribe for either common stock or convertible debentures.

Central & South West is an integrated holding company representing about half of the old Middle West System. It controls four integrated operating companies—Central Power & Light, Public Service of Oklahoma, Southwestern Gas & Electric and West Texas Utilities. The system has revenues of about $62 million and serves nearly two million people. The territory is enjoying well-diversified growth, and earnings have increased steadily from 65¢ in 1944 to $1.39 recently. Earnings of close to $1.50 are anticipated for the calendar year 1949. The stock is currently around 11⅝ on the Exchange compared with last year's low of 8⅝. Paying 80¢ it yields nearly 7%.

Middle South Utilities has superseded Electric Power & Light (now dissolved) in the control of four integrated operating companies—New Orleans Public Service, Louisiana Power & Light, Mississippi Power & Light and Arkansas Power & Light. The stock was introduced a few weeks ago on a when-distributed basis to the over-the-counter market, selling in a range of about 14½-16, and was recently promoted to the New York Stock Exchange where it is selling around 14½. Current earnings are estimated at around $1.78 (12 months ended April 30) and the anticipated dividend rate is $1.10, indicating a probable yield of about 7½%.

Southern Corporation has not yet been split off from the Commonwealth & Southern system although it has been in corporate existence for some time. Current earnings are about $1.03 and the dividend being paid to Commonwealth is 60¢. Earnings have been favored by rapid growth in Georgia, Alabama, etc., during and since the war, and also by a more favorable water supply for hydro-electric operations in 1949. The stock could be purchased at the equivalent of about 5¾ by buying Commonwealth & Southern at 3¾, it is estimated. Under Commonwealth's plan now before the District Court at Wilmington (a decision is expected at any time) each share would receive about 0.35 share of Southern Company and 0.06 share of Ohio Edison. Assuming that the plan is approved and deducting from $3.88 the value of the fraction of Ohio Edison to be received, the balance of $2.00 would represent the cost of 0.35 share of Southern, or a cost per share of about $5.75 (disregarding commission). It is estimated that when finally issued (perhaps Oct. 1 if the court decision comes soon) the stock might sell on about a 7½% yield basis or around 8: if the dividend should later be raised to 70¢ the same yield basis would mean a price of 9.3.

Securities Firms, Wake Up and Sell!

By ROBERT A. LOVE, Ph.D.*

Director, Evening and Extension Division, City College School of Business and Civic Administration

Dr. Love, asserting time has come for securities concerns to pursue aggressive policy of selling ownership in American business to Mr. and Mrs. Common American, urges efforts towards creating well-directed, well-organized and well-trained sales forces. Recommends: (1) starting out by ascertaining investors' needs; (2) utilizing market analysis; (3) providing partial payments plans; and (4) training men to do better selling job.

Seen either in the strong light of recent developments, or in the dim light of future prospects, results of financial institutions, as they have been carried on, do not appear altogether attractive. In fact, my subject brings to mind the old story of the man who married the extremely ugly woman because she had such a beautiful voice. You probably have heard of his tragedy. He waked up at night and saw her in the moonlight, whereupon he shook her furiously and yelled, "For God's sake, Mary, wake up and sing!" If I were not completely aware of the constructive selling efforts already being carried on by progressive organizations and if I were broadcasting to the entire industry rather than talking here to leaders who are obviously fully aware of the situation, I should be tempted to paraphrase our friend's statement and say to those who are in a position to accomplish the essential function of obtaining capital for American business, "For God's sake, wake up and sell!"

Robert A. Love

Reach Mr. and Mrs. Common American

My thesis is a simple one, its support drawn directly from elementary facts with which we are all familiar: it is that the time has come for financial houses to pursue an aggressive policy of selling ownership in American business to Mr. and Mrs. Common American. Financial houses of one sort or another perform the signal functions of facilitating the transfer of capital funds from investors to the businesses which use these funds in productive enterprises. The time has come when more individual houses must develop the organization, the methods and the skills to reach a new group of people from whom these funds must be obtained in the future. They must reach the man of small income; this means that they must develop the personnel and marketing techniques to reach these investors; and individual houses should be backed up by a nation-wide educational and public relations program to facilitate their efforts.

In looking at the sources of capital funds invested in the post-war era, we experience shock at finding that corporations get only 4½% of their funds from stock issues with only 10½% additional from bond issues. We are well familiar with the sad refrain that the sources of venture capital have dried up. The tax structure alone means rich men are no longer sources of capital funds. After housing, food, household operations and automobile expenses are allowed, less than 10% of the total remaining income is in the hands of people with more than $7,250. Instead of giving up in despair and hopelessness, perhaps it is time to turn to the forgotten man, the man of medium and small income, who, as an individual, has less than $7,250 a year available after he has covered the bare essentials of housing, food, household operations and automobiles, but who represents the group of people who have more than 90% of the total funds available for other spending and investments.

These are the people who must be reached. From them must come the money to finance American business. Contrary to prevailing ideas, they are not alone potential investors, they actually include some of our most courageous owners of venturesome and speculative enterprises. They include the farmers, the owners of small manufacturing plants, and the small store keepers. Among them are the people who demonstrate their courage and their faith in the future by staking their resources on such venturesome enterprises as food stores where one out of three goes broke during the first year. This is the group from which has ventured our Macys, our Fords, our Carnegies and, in fact, most of the industrialists who made and are making this country great.

Included in this group of middle and lower income are a large number of people with resources comparable to those of their brothers and cousins who are investing in their own enterprises, but who are not situated so as to make it advantageous to operate their own business. They are wage earners and salaried employees of established businesses. Many of them are only one generation removed from the farm or else from a family-owned store or small business in which their father or uncle used their own capital and saw it grow. These are the people who, after paying for their essentials of living, had over $60 billion in 1948 which dangled, and is still dangling, practically unnoticed by the institutions which might have sold them investments.

Sixty Billion Dollar Bait

But this $60 billion bait to salesmanship attracted and is still attracting aggressive merchandisers of luxury services who lure, through effective marketing techniques, the potential investor's

(Continued on page 22)

*An address by Dr. Love before a joint meeting of the Association of Customers' Brokers and the New York Society of Security Analysts, New York City, June 2, 1949.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York**, an-

Joseph M. Barnes

nounced on June 2 that Joseph M. Barnes, Assistant Vice-President, main office, was appointed a Vice-President. He will continue to be identified with lending and new business promotion.

* * *

The additional 500,000 shares of stock of the **Bank of the Manhattan Company of New York**, issuance of which was approved by the stockholders at a special meeting on June, 1 was offered to stockholders at $21.50 a share. Subscription warrants entitling stockholders to subscribe for one new share of stock for each four shares held will be issued to stockholders of record June 7. The subscription warrants and the rights of subscription will expire on June 22.

The proposed increase in the capital stock of the bank from 2,000,000 to 2,500,000 shares (par $10) (or from $20,000,000 to $25,000,000) was referred to in our issue of June 2, page 2388.

The offering to stockholders has been underwritten by The First Boston Corporation and other underwriters, who have agreed to purchase any share of stock not subscribed for by stockholders.

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Hartwell F. Taylor, Assistant Vice-President of **The Bank of Virginia, at Richmond, Va.**, was on June 3 elected national President of the **American Institute of Banking**, the educational section of the American Bankers Association. Mr. Taylor has has served as Vice-President during the past year. J. Kaye Ewart, Assistant Vice-President of the **National Bank of Washington, Tacoma, Wash.**, who was an Executive Councilman in the Institute from **1945** to **1948**, was elected Vice-President of the Institute.

The officers were elected and installed at the final general session of the 47th Annual Convention of the AIB, in session at the Hotel Multnomah, in Portland, Ore., since May 30. The Convention also elected four Executive Councilmen to serve three-year terms. They are Stetson B. Harman, Trust Officer, First Trust and Savings Bank of Pasadena, Pasadena, Calif.; Alvin E. Roemershauser, Assistant Vice-President, Whitney National Bank of New Orleans, La.; J. Ralph Wagner, Cashier, National Bank of Wyandotte, at Wyandotte, Mich.; and Leon I. Williams, Assistant Vice-President, Peoples First National Bank and Trust Company, Pittsburgh, Pa.

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An application by the **New York Trust Company**, at 100 Broadway, **New York**, for permission to open a branch at 496-498 Madison Avenue, was filed with the State Banking Department on May 27.

* * *

The Norfolk County Trust Co. of Brookline, Mass., absorbed the **Blue Hill Bank & Trust Co. of Milton, Mass.**, on May 23, it is learned from a recent announcement by the Governors of the Federal Reserve System. The Milton institution is now operated as a branch of the Norfolk County Trust.

* * *

With respect to the proposed merger of the **Hartford National Bank & Trust Co. of Hartford, Conn.**, and the **First National Bank** of that city which will shortly be acted upon by the stockholders, it is stated that the stockholders of the First National Bank will receive 10 shares of $10 par stock in the Hartford National Bank and Trust Co. for each one share of $100 par First National stock.

It is also indicated in the Hartford "Courant" of June 2 that under the terms of the merger the enlarged institution will have two directorates—an active board of directors and an honorary board.

* * *

The issuance of a charter on May 25 for the **First National Bank of Thompsonville, at Thompsonville, Conn.**, with a capital of $100,000, has been announced by the Comptroller of the Currency's office. Antonio Gannuscio is President and Anthony F. Di Lorenzo Cashier. The institution will operate in succession of Antonio Gannuscio, Banker, at Thompsonville.

* * *

Advices June 2 from Paterson, N. J., to the New York "Times," stated that an announcement was made on that day that the **Clifton Trust Co. of Clifton, N. J.**, will become part of the **First National Bank and Trust Co., of Paterson**, at the close of business on June 10, when liquidation will begin.

From the same advices we quote: "At a meeting held yesterday afternoon and last night 80% of the stockholders of the Clifton bank ratified the action of the board of directors in selling the bank's assets to the Paterson institution.

"The $25,000,000 transaction also involves the **First National Bank of Clifton**, also in Clifton. Negotiations were to be completed today, but the vote will be a routine matter, since 90% of the stock in the First National Bank of Clifton is owned by the Clifton Trust Co.

A previous item regarding these proposals appeared in our issue of May 26, page 2289.

* * *

According to the Newark "Evening News" of June 2, Vincent J. Murphy, President of the **Union National Bank, of Newark, N. J.**, announced the resignation of C. Warren Crandall as Executive Vice-President and Percy Smith as Assistant Cashier. Edward M. Donnelly, the bank's Cashier, was appointed officer in charge, and Douglas Kirk was made an Assistant Cashier.

* * *

Lewis S. Munson, Jr., on June 1 joined the **Wilmington Trust Company of Wilmington, Del**, as Assistant Vice-President. He will specialize in commercial loans and accounts. Mr. Munson formerly was Assistant Treasurer and Manager of the Treasury Division of E. I. du Pont de Nemours & Company.

* * *

Guy E. Reed, Vice-President and Director of the **Harris Trust and Savings Bank, Chicago**, on May 24 was awarded the Chicago Merit Award—Local, by the Rotary Club of Chicago. The award is in the form of a bronze engraved medal which designates the recipient as "a distinguished citizen of Chicago for outstanding community service." The award to Mr. Reed was made by Harvey C. Ellerd, President of the Chicago Association of Commerce at a luncheon meeting at the Sherman Hotel. This award was created in **1929** in order to honor those who have devoted themselves to "Service Above Self." This is the seventh time in the history of the Rotary Club that this particular award has been made. The jury who decides which Chicagoan deserves this and other Rotary Club citations is composed of presidents of leading business, educational and civic organization, and other citizens of Chicago.

* * *

An increase on May 23 of $100,000 in the common capital stock of the **First National Bank of Lafayette, La.**, raising it from $300,000 to $400,000, was reported in the May 31 Bulletin issued at the Office of the Comptroller of the Currency.

* * *

The death occurred on June 3 at San Mateo, Calif., of A. P. (Amadeo Peter) Giannini, founder of the world's largest bank—the **Bank of America, National Trust & Savings Association of San Francisco, Calif.** Mr. Giannini died at the age of 79 years from a heart attack, after a month's illness following a cold. Born in San Jose, Calif., the son of Italian parents who came from Genoa, Italy, to California, his start in business life came after his father's death, when he entered his stepfather's vegetable business, developing it into the largest commission house in California. With the death of his father-in-law, who left him a seat on the board of a San Francisco bank, Mr. Giannini entered into the sphere of banking, and it was noted in Associated Press accounts from June 3 that Mr. Giannini built his tremendous banking empire on a policy of serving the needs of "the little fellow." Bank of America's branches in some 300 California communities serve more than 3,000,000 depositors. The same advices said:

"He fought on the side of the solid little people of the expanding West Coast. And by 1946 his Bank of America was the world's biggest, with assets topping $5-765,000,000. It had grown to 500 branches, most of them in California."

The first banking project to be started by Mr. Giannini was the **Bank of Italy**, established in 1904, and in its account of his career, the New York "Times" of June 4 said in part:

"The great San Francisco fire and earthquake on April 18, 1906, provided an opportunity for Mr. Giannini to display his courage and resourcefulness, and he emerged from the city's ordeal a name to be reckoned with in banking circles. Stumbling through ruins the morning of the earthquake he salvaged the resources of his bank. He notified his depositors that their money was safe and at once began making loans to ruined businessmen for the rebuilding of the city.

"The succeeding panic of 1907 cemented his position as a notable figure in the city's banking business. Anticipating the crash, he had accumulated a considerable hoard of gold. When other banks were forced to use clearing-house certificates for cash, the Bank of Italy was able to pay its depositors in hard money.

"Convinced by the panic that only big banks were safe banks, Mr. Giannini started buying up small banks and converting them into branches of the Bank of Italy. He thus instituted the country's first important branch banking program. Despite efforts of competitors to get the State Legislature to restrict branch banking and despite the strenuous opposition of alarmed financiers, his bank empire kept growing.

"In 1919, when the Bank of Italy had resources of $138,000,000, he organized the **Bancitaly Corporation** to facilitate the expansion; this was succeeded in 1928 by the **Transamerica Corporation**, formed as a holding company for all the Giannini banking, insurance and industrial organizations.

"By 1929 he had entered the New York banking field, purchasing the long-established **Bank of America here**. The next year he consolidated his banks into the Bank of America National Trust and Savings Association. The bank and its branches made loans on crops to California fruit growers, lent up to $300 to a wage-earner on his signature alone, and at a time when other banks refused to finance films supplied vast sums to motion-picture producers.

"Mr. Giannini was a director of the National City Bank of New York, the City Bank Farmers Trust Co., New York; the First National Bank of Portland, Ore., and the Firemen's Friend Insurance Co."

Newburger, Loeb Has New Program

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other Exchanges, have inaugurated a new program of interest to investors.

Believing that many people would like financial guidance but are handicapped by lack of time during normal working hours because of the pressure of their daytime duties. The firm is keeping open two of its uptown branch offices for consultation on Wednesday evenings, from 7:30 to 9:30 p.m. These branch offices are located at the corner of 57th Steret and Sixth Avenue and at 73rd Street and Broadway. Not only are the Registered Representatives of the offices in attendance there on Wednesday evenings, but also key men of the firm's Investment Research Department are present for consultation and analysis.

June 1 was the first evening of this program, and Newburger, Loeb & Co. was both surprised and gratified by the interest evidenced. While the offices were never actually overcrowded during that evening session, a steady stream of investors came in during the two hours. A number of new accounts were opened, as had been expected, but perhaps the most surprising development was the number of accounts already on the firm's books who evidently appreciated and welcomed this unusual opportunity for unhurried discussion and advice about their securities.

With Cohu & Co.

J. G. Waldron has become associated with Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, in the Retail Distribution of Mutual Funds.

New Orleans Bond Club Elects Officers

NEW ORLEANS, LA.—At the annual meeting and field day of the Bond Club of New Orleans the following officers were elected for the ensuing year:

Joseph P. Minetree Harold Dane

President: Joseph P. Minetree, Steiner, Rouse & Co.

Vice-President: Harold Dane, of John Dane.

Secretary: Leon Adams, Nusloch, Beaudean and Smith.

Board of Directors: Alvin H. Howard, Howard, Labouissee, Friedrichs & Co.; Walter Weil, A. M. Smith-Wood Co., Inc.; and Claude Derbes, Couturier & Derbes.

The Field Day, held at the Metairie Country Club, was a huge success, with the usual golf, swim and horseshoe events; there was a buffet lunch, and dinner in the evening.

Halsey, Stuart Group Offers Okla. Gas Bonds

Halsey, Stuart & Co. Inc. and associated underwriters are offering $10,000,000 Oklahoma Gas & Electric Co. first mortgage bonds, series due June 1, 1979, 3%, at 101.99% and accrued interest. The group was awarded the bonds on its bid of 101.4445%.

Proceeds from the sale of the bonds will be used to pay in part the expenditures incurred and to be incurred in 1949 for additions and betterments to physical properties including payment of short-term loans incurred for these purposes.

The bonds will be redeemable other than for sinking fund at prices ranging from 104.99% to 100%, and for the sinking fund the bonds will be redeemable, beginning in the year 1955 at prices ranging from 101.77% to 100%.

Oklahoma Gas & Electric Co. is engaged solely in the electric business serving 218 communities in Oklahoma and 23 in Arkansas. The aggregate population of the territory is estimated at approximately 890,000 and includes Oklahoma City, Okla., and Fort Smith, Ark.

Brush, Slocumb Exhibit At Ind. Exposition

SAN FRANCISCO, CALIF.—Brush, Slocumb & Co., 1 Montgomery Street, has taken a booth at the Bay Areas Industrial Exposition in Oakland, Calif., June 4 through June 12. The firm's plan is to create a better understanding of the securities industry and private enterprise among persons of moderate means. There will be a display of investment securities, and pictures relating to the activities of prominent corporations together with the present yields on their stocks.

Brush, Slocumb & Co. will also distribute a leaflet on the securities business in entirely nontechnical terms intended for the person not familiar with securities.

John F. Hulme Opens

CREAM RIDGE, N. J.—John F. Hulme is engaging in a securities business.

Railroad Securities

Illinois Central

About the best acting of the railroad common stocks in recent months has been that of Illinois Central. It has shown greater resistance than most other equities to periodic sinking spells in the general market, and in recovery periods has shown greater buoyancy than a vast majority of similar calibre issues. This action is all the more surprising when it is considered that the stock is one of the very few on which dividends have not as yet been resumed despite high war earnings and the postwar prosperity. Moreover, it is generally conceded that inauguration of dividends is not likely over the near or intermediate terms. The last distribution was made in 1931, ending an unbroken dividend record that had extended back to 1860.

The strength of the stock may be attributed to the vast improvement that has taken place in the company's debt status and finances in recent years, and to the highly favorable long-term earnings outlook rather than to any hopes of near-term income return. At one time it was considered that the road faced a maturity schedule in the 1950-1955 period that was virtually unsolvable. Earnings for some years past have been utilized largely toward anticipating this problem which explains the failure to pay dividends.

Last year, with the debt problem well under control, the management resumed dividends on the small 6% non-cumulative preferred issue. Preferred stockholders have instituted suit for 11 years' back dividends and it is this suit which is presumably further delaying any action on common dividends. Court hearings are scheduled for this fall and once the matter is settled it is believed that holders of the junior equity will be in a position to start participating in the road's prosperity.

From the beginning of 1941 through December, 1948, the company reduced its non-equipment debt by more than $128 millions. This is equivalent to more than $94 a share of outstanding common stock. The once formidable 1950-1955 mortgage maturities had been reduced to $85,119,000 by the end of last year. In comparison, the company has in its treasury more than $85 million of cash and Government securities. The earlier maturities (those falling due from 1950 to 1953, inclusive) are all non-callable. The Refunding 4s and 5s, 1955, however, are callable. At the end of last year these two series were outstanding at $23,900,000 and they have probably been reduced somewhat further through open market purchases since then.

In view of the relatively high interest rates on the bonds, and considering the company's strong cash position, it is expected in many quarters that these bonds may be redeemed in their entirety this summer. It is also considered likely by many analysts that some exchange offer of a longer term blanket mortgage may be made to holders of the non-callable 1950-1953 maturities. Any such moves, which would presumably signal the end of the company's ambitious debt retirement program, should have a marked favorable influence on public sentiment toward the road's preferred and common stocks.

The debt retirement accomplished so far has resulted in a reduction in annual fixed charges to $10,344,000 compared with roundly $16.5 millions in the closing years of the 1930s. This saving is equivalent, after adjusting for Federal income taxes, to $2.80 a share of common. Even without allowing for this reduction in charges earnings on the common for the past 10 years have averaged $8.63 a share. Last year common share earnings reached $14.60.

There has been a moderate increase in net income during the first four months of 1949 compared with the like 1948 interim. It is likely that with general business tapering off and with the prospect of a strike of coal miners next month year-to-year comparisons will be less favorable from here on. However, Illinois Central over a long period of years has demonstrated outstanding ability to control expenses quickly in a period of declining business. For the full year 1949, therefore, it seems hardly likely that share earnings will dip as low as $10 and they may well hold to as high as $12.

Eastern Rails Ask 12½% Passenger Fare Rise

Cite heavy loss on passenger business and general higher wage and other operating costs.

To help offset a series of recent and impending increases in wages and other operating expenses, Eastern railroads on June 3, asked the Interstate Commerce Commission for permission to raise the basic passenger fares in coaches and in sleeping and parlor cars by 12½%, or from 3 cents to approximately 3.375 cents per mile in coaches, and from 4 cents to 4.5 cents per mile in sleeping and parlor cars.

The Eastern railroads pointed out in the petition that their net railway operating deficit from passenger service increased from $198,-639,000 in 1947 to $252,177,000 in 1948, an increased deficit of $53,-538,000. The 1948 deficit was the greatest in history.

"Passenger traffic," the petition continues, "reasonably and justly should contribute as much as possible toward meeting the increased operating expenses which have been incurred in providing passenger service. The current and anticipated volume of passenger business is such a substantial and important part of petitioners' business that it is essential to their financial well-being that increased revenues be secured for handling the traffic."

According to the application, since the present basic passenger fares became effective in July, 1948, the following increased costs have already been incurred or soon will be incurred by the Eastern railroads, based on estimated operations for the year 1949:

(1) Increase of 7 cents per hour in wage rates to non-operating employes, effective Oct. 1, 1948	$87,400,000
(2) Increase of 10 cents per hour in wage rates of operating employes, effective Oct. 16, 1948	42,200,000
(3) Increase in rate of payroll taxes, from 6¼% to 6½%, effective Jan. 1, 1949	4,900,000
(4) Increase in unit price of fuel, material and supplies, May 1, 1949, over June, 1948	30,400,000
(5) Additional vacation with pay to operating employes, effective July 1, 1949	5,000,000
(6) 40-hour week (with 48-hour pay) to non-operating employes, effective Sept. 1, 1949	200,000,000
(7) Total	$369,900,000

Richard J. Buck Opens Branch in Boston

BOSTON, MASS.—Richard J. Buck & Co., New York investment firm, has opened a branch

Reginald B. Elwell

office at 8 Newbury Street. Managers will be Reginald B. Elwell and W. Brownell Freeman, both formerly officers of Elwell & Co., Inc.

Chicago Stock Exch. Reelects Hargrave

CHICAGO, ILL. — Homer P. Hargrave, partner of Merrill Lynch, Pierce Fenner & Beane, was reelected to serve his third term as Chairman of the Board of Governors of the Chicago Stock Exchange at the Annual Election of the Exchange.

Sidney L. Castle, Carter H. Harrison & Co.; Leonard J. Paidar, Goodby & Co.; and Chancellor Dougall were reelected members of the Board, to serve three years.

William A. Fuller, William A. Fuller & Co.; August I. Jablonski; Earl F. Nietzel, Webster, Marsh & Co.; Frank E. Rogers; and Frederick M. Tritschler, the First Boston Corp., were elected members of the Board, to serve three years. Carl J. Easterberg, Riter & Co., was elected a member of the Board, to serve one year.

The following were elected members of the 1950 Nominating Committee:

Barrett Wendell, Chairman (Lee Higginson Corp.)

Joseph P. Brown (Floor Member).

Joseph E. Dempsey (Dempsey & Co.)

D. Deen McCormick (Kebbon, McCormick & Co.)

Alfred E. Turner (Floor Member).

Deadlock in Phila. Bond Club Golf

PHILADELPHIA, PA. — Two former champions, Walter Schmidt, of Schmidt, Poole & Co., and Russell Ergood, Jr., of Stroud & Co., shared top honors with Wallace McCurdy, of Thayer, Baker & Co., in the golf tournament held in conjunction with the 24th annual field day of the Bond Club of Philadelphia held at the Philadelphia Country Club Friday, June 3.

The three shotmakers captured the Low Gross Award with 77s. Low Net was won by Henry R. Hallowell, of Hallowell, Sulzberger & Co. The popular "Kicker's Handicap" was won by Edward Boyd, Jr., of Harriman Ripley & Co.

H. Gates Lloyd, of Drexel & Co., and E. Howard York, of Doremus & Co., captured the tennis honors in the annual round robin.

Winners of other events were: Russell Ergood, Jr. and R. Victor Mosely, both of Stroud & Co.; William Z. Suplee, of Suplee, Yeatman & Co., Caspar Morris, of Elkins, Morris & Co. and Orus J. Matthews, of Kidder, Peabody & Co.

Here At Home, Too!

"At Paris today (June 2, 1949) the Foreign Ministers of four countries are seeking an agreement to remove the German problem from the basic field of international differences. Such an agreement, if it can be obtained, is desirable. It would relieve tension and if tension is relieved there is hope for a solution that would improve the general international situation.

"We should not be misled in failing for one minute to recognize that, no matter how sound or how desirable that agreement is, there remains ahead of us for years to come a struggle between those who promise equal economic return and security that cannot be provided to the person without surrendering individual rights and life under control of the State, and those who believe in democracy, which should provide for equal opportunity, social advance and social progress."—General Lucius D. Clay.

The General is right, but this "struggle" is not confined to the field of international affairs.

We have "those who promise" right here at home in uncomfortably large numbers.

And no "Paris conference" can make the necessary decisions for us.

Rockwell-Gould Co., Inc., Adds Two to Staff

ELMIRA, N. Y.—Z. Nespor and Reginald W. Payne have been added to the staff of Rockwell-Gould Co., Inc., Robinson Building. Mr. Nespor was formerly with the New York Life Insurance Company.

John C. McCarthy With John G. Kinnard & Co.

MINNEAPOLIS, MINN. — John C. McCarthy has joined the staff of the John G. Kinnard and Company, Baker Arcade. Mr. McCarthy was formerly affiliated in Santa Barbara, Calif., with the E. D. Baring-Gould Company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Treasury obligations remain firm to buoyant because more funds are being put to work in these securities. . . . This demand for governments should tend to broaden as economic conditions deteriorate, since investors are less inclined to make commitments in credit situations because of the risk involved. . . . Activity in the government market has been stepped up, with new money purchases and switches making for larger volume. . . . Lengthening of maturities goes on at an increasing rate with out-of-town commercial banks doing the bulk of it, probably in anticipation of lower reserve requirements, that should be coming shortly. . . . These institutions will be the principal gainers from the expiration of the temporary power over reserve requirements on June 30, unless the authorities decide to make other changes. . . .

SAVINGS BANKS SUPPLYING MARKET

Savings banks have been doing most of the swapping from bank-eligibles into the restricted bonds and in this way have supplied needed bank issues to the market. . . . The movement from the 2½s due 1956/58, the 2¼s due 1956/59 and the 2½s due 9/15/67/72, by these institutions (with the encouragement of the monetary authorities who have supplied the ineligible bonds to them) has been very important in keeping the longer end of the eligible taxables from getting out of hand on the up side. . . .

Nonetheless, this type of operation cannot go on indefinitely because the savings banks will eventually run out of the longer eligible taxable obligations. . . . Although available figures indicate these institutions still have the higher coupon bank bonds, there has been recently noted a change in the maturities of eligible securities being sold by savings banks, in this movement into the tap bonds. . . .

ELIGIBLE 2S IN DEMAND

It is indicated that the eligible 2s are now being sold in larger amounts by the savings banks, which may or may not mean that they are running low in the longer-term higher coupon bank bonds they have been supplying to the market. . . . It might be that the sizable demand that exists for the 2s is giving the savings banks an opportunity to eliminate issues that were not so easy to dispose of in large amounts at firm-to-advancing prices not so long ago. . . . Likewise with the demand for funds lessening because of defensive business conditions, the savings banks may have greater need to maintain earnings. . . . Under such conditions it does make sense to go from a 2% into a 2½% obligation. . . . It might be the prospects of higher prices for the larger-income eligible obligations also has something to do with it. . . .

Whatever may be the reason, there is a definite tendency now for the savings banks to hold onto the eligible taxable 2¼s and 2½s, and to offer the 2s in place of them. . . .

TRADING PROFITS BEING MADE

Traders as well as investors are getting more interested in the longest eligible taxable bond, because of the solid if not spectacular buying that is being done in this obligation. . . . Trading profits are being made in this security by the nimble movers, and the "carry" is not unfavorable to those that position them. . . . However, what seem to be the most important features about this bond are the facts that the floating supply is being steadily decreased, the income is attractive and an 18-year Treasury obligation has appeal from the maturity standpoint. . . . Although there are forces that could influence the market action of the 2½s due 9/15/67/72, these are likely to be temporary and should afford a good buying opportunity especially if quotations should recede moderately. . . .

However, since the trend is toward easier credit and further decreases in the supply of higher coupon eligible obligations, there may not be any periods of price weakness in this security. . . . Also it would not be surprising if a break-out on the up side should come at any time. . . .

Therefore, based on the aforementioned reasoning certain banks are advising correspondent institutions that need to maintain earnings, to put a substantial part of the funds that must go into higher income Treasuries, to work at the present time in the 2½s due 9/15/67/72. . . .

OTHER MARKET MANEUVERS

There have been some very sizable orders in the market for blocks of both the tap and eligible bonds. . . . The 2¼s due 1959/62 were probably in the greatest demand and, were it not for very cautious buying, quotations for this issue might have advanced sharply. . . . The 2½s due 1962/67 and 1963/68 were also taken home in large amounts as a result of switches from the longer eligible issues. . . . On the other hand, there has been heavy buying of the 2s due 1952/54 by large commercial banks, which have taken all of these securities that have been offered by savings banks. . . . This explains the favorable market action of the 2s despite switches out of them by deposit institutions as well as savings banks. . . . The 2½s due 1956/58 are being acquired by the large banks in the reserve city areas, with a good demand also reported for the 2¼s due 1956/59. . . . A very substantial switch was made recently from the 2¼s due 6/15/52/55 into the 2¼s due 12/15/59/62. . . .

Although the partially-exempts have been on the inactive side, and quotations have been shaded slightly from time to time, there are important buyers around for the 2⅞s due 1955/60 and the 2¾s due 1960/65. . . . Industrial concerns that have surplus funds on hand have been fairly sizable buyers of Treasury bills, with a few of them picking up February and March, 1950 certificates. . . . The September and December maturities are still being actively acquired by those who expect better than 1¼s in the refunding.

The Current Textile Picture

(Continued from page 6)

because of past reputation or because of a desire to follow the line of least resistace. The severe competitive conditions which will face us from here in make it imperative that every unnecessary item or product be eliminated or checked until it is overcome.

Particularly disturbing are the unusually large returns which have taken place in both men's and women's wear fabrics. This undoubtedly is the result of an indifference and apathy on the part of management and labor in allowing such goods to reach the market place. Mark down prices of imperfect goods is a major cost of doing business and this indifference of permitting such merchandise to pass mill inspection is undoubtedly traceable to the war years when business was working on the theory that Uncle Sam was paying the major part of the bill because of the then prevailing high tax bracket.

A Few Highlights

From the viewpoint of the financial executive let me point out to you a few highlights of what we have observed from financial reports of not only our own clients but many other mills in the textile field. In the period 1939-1946 which was the high point of volume activity most of these concerns expanded their tangible net worth, but on the other hand were not able to build up working capital on a proportionate basis.

High labor costs necessitated disproportionate investments in labor saving automatic equipment. Obsolescence prompted an expansion program of rehabilitation and replacements, with the result that a number of companies have been obliged since 1946 to rely on borrowed funds in order to provide adequate financial programs.

The financially weaker corporations which have not been in a position to keep pace with their stronger competitors have been weakened to the point where they are less able to produce economically. These latter are the situations which will be more vulnerable to the well-established operator with reputation and vision, as well as money, or the means to get it.

It is only natural for you to ask —What is ahead of us? I might say that four months ago the general textile picture looked bad, but today it looks even worse. Even at the risk of being considered a dyed-in-the-wool Republican pessimist, I am courageous enough to predict that the balance of this year will usher in further readjustment before the situation levels off and assumes a condition of stability.

Prices Are Coming Down

Prices are coming down. Whether we like it or not, that's the situation and everybody knows it. The housewife who is thinking of a new refrigerator; the man who is wondering about a new car; the purchasing agent who is thinking about next quarter's materials — they all know prices are coming down. So what are they doing right now? They're waiting. They don't want to buy anything more than they have to until they are well satisfied that prices have slid about as far as they are going to slide. If that's the case, and I think it is, what are we waiting for? Are we going to get anywhere by keeping up prices until we have worked off our present high-priced inventory? If we do this we may wind up holding the bag while a competitor gets the business.

Are we going to get anywhere by fighting a rear guard action, nibbling away at price reductions piece by piece? I doubt it. That's like chasing a local train in a horse and buggy, reaching each station just after the train has pulled out. If prices have got to come down, let's get them down where we think they belong, just as fast as possible and then sharpen our pencils to see how we can earn a profit on that basis. The fact is that practically everybody has known ever since the war ended that most things in this country were costing too much to manufacture and too much to distribute, and the quality has not been too good.

Our high costs were caused in the main by two things:

(1) Turn it out fast, no matter what it costs.

(2) I want it, no matter what it costs.

Both of these philosophies grew out of shortages caused by the war and they are influences which run counter to the normal operation of the principle of competition. Competition has once more come into its own and as we all know it will not stand for any monkey-business. Competition demands the best values for the most people at the lowest cost.

You know that the consumer is a pretty smart individual. He knows that business and industry, during and after the war, built up a lot of costs that could be, and should be, shaken out. He decided that he is just not going to pay for lost motion, for unnecessary things, for lack of proper intelligence and for faulty manufacturing. Throughout our whole manufacturing and distribution system there is going on right now a process that I can only describe as "shaking out waste." Once we get this waste shaken out, I think people will buy again, and in large volume—perhaps even larger than before. They're not holding back today because they haven't got the money. Savings deposits are enormous, interest rates are low, and the country is full of people who can buy, but don't. How can you get them started again? **By giving them the prices and quality they think are right.**

Increased Bankruptcies

Until such times as we reach proper price levels and business is over its readjustment pains, we will witness a number of marginal accounts liquidating because of their inability to meet competition. As each one of these failures occurs it will further aggravate the situation due to distress merchandise and machinery being thrown on the market.

These statements should not alarm you as it is what to expect when you invite a credit executive to speak to you. Credit men enjoy the reputation of being inherently pessimistic and some of my friends have even gone so far as to say that they are afraid to start anything for the first time.

In referring to the matter of bankruptcies may I point out that while 1948 shows an increase of approximately 23% over 1947, the present yearly average is still subnormal. Those companies which went through the financial wringer last year totaled 5,252 in number, which is insignificant in comparison with such years as 1930, 1931 and 1932 when they were running at an annual rate of 26/30,000. You can see from this comparison that we are still far from a normal basis. Many of our recent failures, however, occurred among companies which were "war babies" and were to be expected inasmuch as their management consisted of individuals who had never experienced a readjustment period such as we are going through at the present time.

Another factor which may contribute to this situation is the change which has occurred in our banking system. Back in the early '20s there were approximately 29,500 commercial banks in the U. S. Due to liquidations and mergers this was reduced to approximately 13,900 banks at the end of 1948, and in many respects the liquidation of these commercial banks has occurred in small communities, leaving industry in these sections of the country without credit sources as well as advisory facilities. This contraction of banking units has had its effect particularly in small communities. It has been an unusual experience for me over the last ten years when traveling in certain parts of New England and the South to notice that some mills in these localities were doing their banking with large banks located several hundred miles from the town in which the mills were located. This condition has had the effect of eliminating from the business scene the advisory and banking services which were more abundantly prevalent in the early '20s when there were some thirty thousand odd banks operating throughout the country.

The average business man, whether he be a baker, a machinery manufacturer or a mill owner, is constantly seeking advice and when these facilities are not at his disposal he is vulnerable to the normal errors of judgment. This condition has in a large measure helped the factoring business over the past 20 years as the latter has been in a position, through their representatives who are located, to offer not only a ical points where the textile mills are located to offer not only a flexible financing service but also serviced their clients in the matter of advistory information as to what is going on in the textile industry.

As I stated at the beginning of my talk, I don't come here in the role of an economist, and whatever impressions I have with respect to the future of our economy must, of necessity, be predicated upon the opinion of those who are recognized as experts in forecasting what lies ahead. According to the best informed opinion there are no indications at the present time of any collapse in our over-all economy and present statistics indicate that 1949 will be as good a year as 1948, with our national income still holding at a level approximating $200 billion.

Interestingly enough a good part of this income will be influenced by factors outside our own borders. I don't know of any period in the history of the past 15 years in which anticipating business prospects was quite as fragile and dangerous an enterprise as it is at the moment—fragile and dangerous because so great a portion of the future that will affect us will not be determined by us.

The most dynamic element which will influence our profits or losses, the welfare of your business and mine, can be spelled out by the six letters of the word "Russia." There was never a peacetime interval in which we were so largely dependent upon international affairs in terms of our internal health and prospects. There is not a single responsible source in government in either of the two major parties which expects there will be any marked lessening of the tension in international life. The government ECA program during 1949 will move in higher speed if the situation in China at the present time is any indication of what we have to do to stop the further spread of Communism. In addition, we face the requirements of economic reconstruction and rehabilitation under the Marshall Plan. Paul Hoffman of the Studebaker Corporation, who has charge of European relief, indicated that in his judgment the expenditures in 1949 would not be less than they were in 1948. MacArthur has told us there is no prospect of withdrawal from Japan or the reduction of the quantity of money it

has taken us and will continue to take us to keep Japan on the lowest fringe of survival in economic and political terms.

The sum total of everything I have said will add up to a Federal budget of over $40 billions in 1949 and will bring with it several unavoidable impacts.

(1) Unless Congress votes a tax increase, we may go into a program of deficit financing within the next twelve months.

(2) An obvious further impact on business is there can be no such expenditure for armament or external relief or rehabilitation without a continued drain on certain industries and certain materials. Regional manpower shortages may even occur this year, but that doesn't necessarily mean that all of American manpower will be fully employed. Even now there is idle manpower in the textile industry, but that help is not movable elsewhere.

We will probably witness for several more months business uncertainty, further softening and readjustment, but nothing that by the farthest stretch of the imagination can be labelled a depression. Then, as we get the full effect of the expenditures of the Federal Government, we may see a further inflationary rise in certain materials and a levelling off of the present situation.

In the period ahead I think a good deal will depend upon the textile industry using to the fullest extent research in the field of new fabric development and the application in production of some of the technological findings of industry. It is their responsibility to create new buying power if they expect to be progressive, financially and socially. Some of us may think that our individual worth or value depends upon what we know. This is only partly correct, particularly if it is considered from an intellectual point of view. Our individual value must depend on something more than mere knowledge or intellectual ability. It is not so much what we know, but the way in which we use what we know that counts.

Clevelanders 50 Years In Investment Business

CLEVELAND, OHIO — Daniel W. Myers, partner in Hayden, Miller & Co., and Arthur Huston Richards, Field, Richards & Co., are celebrating 50 years in the securities business. Both have been honored with life memberships in the Bond Club of Cleveland.

Both in expressing their opinion of the outlook for the next 50 years in the investment business were decidedly optimistic.

Andrew T. Geyer Opens Firm in New York City

Andrew T. Geyer, formerly with James H. Acker & Co. and Aigeltinger & Co., has opened A. T. Geyer & Co. with offices at 50 Broad Street, New York City to act as dealer and broker in over-the-counter securities.

Formation of the firm was previously reported in the "Chronicle" of May 12.

Robert Gilliland to Form Own Inv. Company

R. M. Gilliland Company is being formed with offices at 52 Wall Street, New York City and 1417 Oneida Street, Utica, N. Y., to engage in a securities business. Robert M. Gilliland, formerly Vice-President of the First Colony Corp., will make his headquarters in the firm's Utica office. The New York office will be under the management of Philip T. Barmonde, also formerly with First Colony Corp.

British Bulk Buying

By PAUL EINZIG

Dr. Einzig maintains despite losses of British Government in its bulk buying policy as result of world-wide lowered commodity prices, and the criticism of opponents, the system is likely to continue even if Labor Government is defeated. Sees in bulk buying system a close link with policy of fostering trade within British Commonwealth.

LONDON, ENGLAND.—On May 26 the subject of government bulk purchases was debated in the House of Commons. The immediate cause of the debate was the fall in the world prices on nonferrous base metals, as a result of which the government suffered substantial losses on its forward contracts in copper, lead and zinc. In order that the losses which have to be borne by the British taxpayer should not be unduly heavy, the prices charged by the Ministry of Supply to British industrial firms for these metals were not reduced to anything like the full extent of their fall in the world markets. As a result, the government was accused of inflicting a handicap on British exporters, who are compelled to use dearer raw materials than their competitors. It was mainly in order to have an opportunity for voicing these criticisms that the opposition took the initiative to arrange a debate on the subject of bulk buying. There were, however, many other points of criticism arising from bulk purchases of grain, meat and other commodities, and the system was fiercly attacked also on general grounds.

Dr. Paul Einzig

Notwithstanding these criticisms, the government reaffirmed its determination to retain the system. It seems to have become an integral part of Socialist economic policy. Indeed, government bulk buying is in keeping with basic Socialist economic principles. This is not the only reason however, why the government is determined to disregard Conservative suggestions that it should discontinue bulk buying. Indeed there is reason to believe that if the Socialist government were replaced tomorrow by a Conservative government bulk buying would continue, though possibly not to its present extent. For it is closely linked with the policy of stimulating trade within the British Commonwealth and also with the policy of bilateralism. Both these policies form part of the Conservative program.

Postwar economic conditions have made most people in Great Britain realize the need for increasing the country's dependence on supplies from within the Commonwealth. The fact that foreign countries, such as the Argentine and the Soviet Union, took full advantage of the relative scarcity of goods and drove very hard bargains with British negotiators while British Dominions were very generous, made it obvious that the country stands to gain considerable advantages from being able to rely on the Commonwealth to an increasing extent. The system of Imperial Preference is no longer considered sufficient to achieve that end. In order that the Dominions should feel justified in embarking on a large-scale expansion of their productive capacity, it is necessary to give them the assurance that they would always be able to sell their increased output on the British market. Such an assurance can only be given convincingly in the form of long-term bulk buying contracts, reinforced by the government's declared policy of maintaining the system of bulk buying.

Under bilateral trade pacts, too, it is essential the government should be able to effect bulk buying. Under the bilateral system it is often inevitable that goods should be bought above their world market prices for the sake of balancing trade between the two countries concerned. Private firms could hardly be expected to overpay world prices. They naturally want to buy on the cheapest market. In theory that is of course the ideal state of affairs, and hopes for a return to it after the improvement of the British balance of payments position have not been given up. It seems, however that for some time, at any rate the British Government could ill afford to abandon the bilateralis system, which in spite of its many obvious disadvantages is, in existing conditions, a necessary evil This being so, bulk buying must also continue as an equally necessary evil.

Some of the critics of the system argued that while bulk buying produced satisfactory results during the period of rising prices, it should be discontinued now that a falling trend has set in. This point of view was not accepted by the Minister of Sully, Mr. George Strauss, who maintained that if we want to depend on the producers during periods of rising prices we could and should not abandon them to their fate during periods of falling prices. In his view, it is not sufficient if the government merely carries out the letter of the contract by accepting delivery under existing forward agreements at a loss. It is necessary to enter into new agreements, even at the cost of sustaining further losses, precisely in order to give producers the degree of assurance that is needed to make it worth their while to expand their production. Since many producing countries abstained from driving hard bargains while prices were rising, it is only fair not to take undue advantage of the change of the situation now that the sellers' market is giving way to the buyers' market. Private firms could not, of course, afford to allow themselves to be influenced by such considerations. But the government feels justified in making sacrifices for the sake of securing the goodwill of the producing countries.

Beyond doubt the government committed many errors of judgment in concluding bulk purchase agreements. Its defense is that since it has engaged the services of leading experts in each commodity market, and since it has access to information not usually available to private firms, it stands at least as good a chance as the latter to form a correct judgment, and that its mistakes might well have been committed by private firms if they had been in charge of operations. Indeed, Mr. George Strauss, who, in his capacity of Minister of Supply has the final decision on metal contracts, was the head of a leading firm of metal merchants before he joined the government, and there is no reason to suppose that his judgment now is less dependable than it was four years ago.

Having said all this it is necessary to admit that bulk buying does place British industrial firms, from time to time, at a considerable disadvantage. There is indeed a strong pressure in favor of a restoration of free markets in base metals, cotton, and other commodities. The fact that the free market in rubber can operate without bringing about the disadvantages which government spokesmen foreshadow in case of the reopening of the Metal Exchange and Cotton Exchange is well worth bearing in mind. The trend is moving slowly but surely in the direction of a return to free economic activities.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Franklin W. Palmer to Harold P. Murphy will be considered on June 16. Mr. Murphy will continue as a partner of Bennett & Palmer.

Wentworth P. Johnson retired from partnership in Neuberger & Berman on May 31, on which date the interest of the late H. Ralph Levy in the firm ceased.

Hayden Representing Moroney, Beissner Co.

HOUSTON, TEX. — Edwin W. Hayden will represent Moroney, Beissner & Co., 812 Rusk Avenue, in North Texas. Mr. Hayden was formerly with the First Cleveland Corp. of Cleveland.

McConnaughey Leaving SEC

Robert K. McConnaughey has resigned from the Securities and Exchange Commission to return to private business.

W. R. K. Taylor to Admit

Huntington Lyman will be admitted to partnership in W. R. K. Taylor & Co., 120 Broadway, New York City, members of the New York Stock Exchange on July 1. John B. Lewis will retire from the firm of June 30.

NYSE Reduces Minimum Initial Margin

Cuts down amount required on new transactions from $1,000 to $500.

The New York Stock Exchange notified member brokerage firms on June 3 that beginning Monday, June 6, the initial minimum margin required on new transactions would be reduced from $1,000 to $500. According to the rule, the margin deposit shall be either in cash equal to the cost of the securities purchased or cash and/or securities sufficient to make the equity in the account of at least $500. The amended rule also provides that withdrawals of cash or securities may be made from any account which has a debit balance position or commitments providing that after such withdrawal the equity in the account is at least the greater of $500 or the amount required by the maintenance requirements of this rule.

Securities Firms, Wake Up and Sell!

(Contiued from page 17)

money away to their own products.

Why can it be said that only one out or ten people own securities? Because there is lack of selling effort by anyone attempting to sell shares in businesses; because there is aggressive selling by organizations having other things to sell.

Our Mr. Common Man turns on the radio for news and hears the brand of a soap that does everything. He listens for music and there rings in his ears a tune to remind him of "the drink for me." From his straphanger's position, he sees descriptions of an array of products to appeal to his palate, to drown his sorrows, to overcome his hangover, to provide a layette for the baby or a casket to be buried in. Enticing windows lure him into the department store. If he bashfully asks for a package of a product, an energetic salesman sells him an outing suit and complete fishing equipment.

In the office he is corralled by the automobile salesman and is offered a ride (or at least he will be in a month or two). At home for a quiet evening of reading, he finds the major portion of space in magazines and newspapers directing him on how to spend his money. He is interrupted by a manufacturer's representative making a consumer survey and incidentally selling the products of his company.

Yes, in America everything is sold—everything except a share in the enterprises producing and distributing products that together go to make up the American way of life.

A Woeful Lack of Organized Effort

I submit that there is a woeful lack of organized, directed, sales effort designed to sell shares in American business to the level of people who have in the past provided the venture capital, to the very people who have financed American business, the people who today possess funds for investment, namely, the rank and file of Americans in the middle and low-income groups. Ownership in American business is not being sold to people who by tradition have bought it, and who could at the present time buy and hold an investment selected for their particular needs. True, they can buy shares; but we have not provided the machinery for selling them shares in American business.

These new sources of investment funds must be reached to replace former sources which, we are well aware, are on the decline.

Because of price increases, a given amount of money in the hands of an investor now will buy no more than half of what it would before the war. The practical effect is that of a capital levy taking half of the funds of a would-be investor. The inroads of price rises as well as the periodical whittling down of estates by death taxes has served to make smaller investors out of those who were formerly large investors. Any high income taxes, especially in the upper brackets, prevent the accumulation of investment money. We know, of course, that tax levies also limit the ability of a corporation to finance its needs from its own earnings. Yes, we must reach a new source of investment funds. We must sell to the forgotten man.

We must sell to him in order that industry have the requisite funds for replacement of plant and equipment—at prices which often exceed reserves provided for the purpose; in order that companies may expand and buy improved machinery essential to hold their own in the competitive fight ahead; and most important, we must sell to him so that there can come into being new enterprises to serve the chemical, the synthetic, or, who knows, maybe the atomic age, but certainly the age of change which confronts us. We are not in a static economy; and a changing economy needs financing. From whence will these funds come unless you who represent financing institutions sell shares in industry to the people who have the money to buy them?

Reaction to SEC

To do this, you must admittedly overcome a tradition that has been built up against selling. Strengthening this tradition was a reaction from the introduction of the SEC. This reaction reminds me of an incident that took place in my native Texas. A two-gun man talked into a saloon, ordered a double whiskey, laid his two guns on the bar and glared at the group of drinkers lining the bar. "By the time I have finished my drink," he bellowed, "I want every — — — of you out of here." All scampered out except an early edition of Mr. Milquetoast who sipped a short beer at the far end of the counter. "See here," roared the gunman, "didn't you hear what I said?" "Yes," was the reply, "there sure were lots of them, weren't there?"

It would seem that the actions or lack of action of financing houses in response to SEC is as condemning on them as was the action of the man in the saloon. There once was passed a pure food and drug act. Did all food and drug companies go out of business?

Although it must be conceded that the SEC makes more difficult some operations of financing, I have yet to hear of any regulations which prohibit an honest sales effort on any type of security. Only the outworn tradition against selling stands in the way of financing institutions taking positive, aggressive steps to acquaint potential buyers with investment opportunities and to sell them shares in American business.

I submit that there is something lacking in our financial structure as a whole when it does not meet the real needs of the rank and file of the public by selling them on the idea of saving and by supplying investments packaged to meet their needs.

Six Selling Requisites

Let us now take a new look at six requisites for the success of a program to sell securities:

1. Start with the individual's needs and wants, not with the securities which the organization at the time might happen to be underwriting or have available on its shelves. Use this approach and apply the key that modern marketing has used to open the door to increased sales.

Already tried in selling investments is the established procedure developed by progressive companies selling products of all sorts, namely, that of analyzing the need for a product before producing it or buying it for resale. Find out what is wanted and by whom—what sex, age, income groups, etc. In short, apply the well-established marketing analysis techniques developed in other lines to the sale of securities.

Continuing marketing analysis of potential purchasers of securities, particularly that portion covering persons who are not at present buying securities, may bring out new and surprising reasons why people buy. Well worth exploring is the question of whether, in the lower income group, the incentive for speculative gain is not stronger than the appeal of gilt-edge characteristics. These needs as well as those of various other groups must be met if securities are to be marketed effectively. Packages must be developed for the widow looking for certain yields, for the person wanting capital gains, for the individual who is willing to take the risk of special situations, for the one desiring a balanced investment with a spread of risk, for those with an interest in specialized fields or industries. To repeat, the approach is: start with the investor's needs; then wrap up a package designed to fit his needs, develop the presentation of characteristics that appeal to him as an individual, the features that sell him share ownership.

2. Utilize marketing analysis to develop the means for locating and reaching potential buyers. Again there are available the techniques and the methods developed and perfected in the sale of varied products and services. They can be carried over into the marketing of securities. Parallel to the study of the needs of various types of individuals, there can be drawn up lists of persons or groups with common characteristics. Any good Republican knows, for example, that there is a large number of persons in the employ of the government. His blood pressure may have gone up a little further upon realizing that their income is stable and that they enjoy pension privileges. They incidentally form a large group of people who might afford a small allotment of their salary for venture capital. Looking for potential investors in a certain type of security, I recently had occasion to analyze the holdings of college endowments to find to my surprise the large volume of investments in common stocks. Labor unions are accumulating large reserves. How are they investing them and who is selling them their investments? The list may be extended indefinitely in selling securities if we use the same methods successfully employed in marketing the products of industry.

3. Provide Financing Plan for the Purchase of Securities. Suggestions that securities be sold to small investors invariably elicit the response that stock exchange commissions are too low to warrant the cost of a sales program. Who says that income from sales must be limited to stock exchange commissions? Who says that a sale must be limited to a week's month's or even a year's savings? Essential to the success of a program for sale of securities to persons of small income groups is a plan whereby partial payments make possible a relatively large sale involving a year or more of funds devoted to this purpose. Here again, financing institutions may learn from the practices of the industrial concerns whose securities they sell. As early as 1926, I had occasion to conduct a comprehensive study of instalment selling and instalment credit. The 23 ensuing years have resulted in commercial banks adopting the method of financing which at that time they disapproved. Even though banks have made some use of instalment credit in building up their loans, however, it is noticeable that they have not generally appropriated from their commercial clients instalment selling as an effective method for selling securities to individuals. This oversight must be overcome in any plan to sell investments to the man of medium and small income. Here again a look marketwise is necessary in order to determine the size of the payments which can be obtained and the length of the terms to be extended. Instalment payments, the arrangements which made it possible to divert money from candy, chewing gum and incidentals to automobiles, can be used in selling comparable size investments to the same large population.

4. Train the men to do the job. An organization undertaking a program of selling ownership shares on a broad scale must have men who are trained to do this particular job. To be profitable, the sales job must be done effectively. To be done effectively, the person doing the selling must first know how to sell. He must know how to look at what he is selling through the eyes of his purchaser and then proceed to the point of closing a sale. This requires something more than the ability to be a customer's man, something different from what is called for in the security analyst.

Determining the investor's needs, locating potential buyers, providing attractive financing plans, and developing the sales personnel to do the job—these are methods available to the individual firm. I now turn to a fifth requisite which is obtainable only by group action.

5. In order that sales programs of individual houses may be effective, there is needed a nationwide educational and public relations program. At the present time, the security salesman is confronted with unfounded prejudices and with deplorable ignorance concerning the elementary facts of securities. Nothing short of a broad program in constructive education can overcome attitudes which have developed during a century of relative neglect of public opinion. As a group financial houses face a challenging opportunity to undertake, as an industry, the task of facilitating wider understanding and hence broader distribution of securities among the people who now hold the purse strings.

6. Positive steps for revision of the tax structure should be one definite objective of a well coordinated public relations program. While I have emphasized persons of small income as a potential market for investments, the current market—the man of means—should not be overlooked nor should he be minimized. The substantial investor today has to consider many elements in making investments or even in switching from one security to another. Not only does he have to consider the usual risks, but he has to give important consideration to the tax phases of his investments. One phase of the tax picture is the six months' holding period for capital gains. It is quite probable that the elimination of this arbitrary holding period for capital gains would not only have the psychological effect of strengthening the market for securities and making it attractive to the man of lesser means, but it would also make for more active trading in all investments. At the time of its inception, the holding period may have been justified, but since then our economy has gone through a period of drastic change. The maintenance of the holding period is doubtful and its elimination may help make for a better market for securities and help restore the full confidence in our security markets. Thus, there would be established a sixth requisite for the sale of securities to small investors.

In summary, let me urge you to sell ownership shares through a well-directed, well-organized, well-trained sales force.

Sell, to encourage regular saving and orderly investment on the part of Mr. Common Man in this country. Sell, in order that American business will have the wherewithal for venture enterprises, the means for a continuous progressive growth of American business.

Sell, to win for yourself a more important role in the financial and economic structure of the country.

Electric Power—Survey And Prospects

(Continued from page 6)

6,451,450 kw; and in 1951, 4,591,-225 kw. In 1950 there is some open manufacturing capacity for building steam units, and a still greater amount in 1951. Consequently, it would be possible to schedule the manufacture of some additional units in 1950 and 1951.

The capacity to build steam generators is more than equal to that of steam turbines and because of the shorter manufacturing time required, there is a large amount of open manufacturing capacity in 1950. So far only a small part of the total manufacturing capacity has been scheduled for 1951. In the case of water wheel generators and hydraulic turbines, there is open shop capacity in 1950 and a still larger amount in 1951. The open capacity to build power transformers is still large for 1950, and only a small part of the capacity has been scheduled for 1951. It should be understood in interpreting "open shop manufacturing capacity" that in order to utilize it, production must be scheduled sufficiently far in advance to allow for the manufacturing time required. There is every reason to believe that manufacturing schedules will continue to be met successfully.

Future Expansion and Developments

As to the future beyond 1951, it is expected that substantial load growth will continue and extensive capacity situations will be required. The increases will be dependent upon many factors; the most important of which will be the level of our national economy. The outlook, based upon past and predicted conditions, remains bright and the industry will go forward guided by sound judgment and a full realization of its responsibilities.

I would like to emphasize the need of maintaining an economic and coordinated balance from an operating standpoint between thermal and hydraulic generating capacities in order to assure economic and adequate electric power supply in the face of adverse precipitation. This need is attested to by the fact that in most instances where restrictions on use have occurred, it has usually been in those areas where there is a large amount of hydro capacity. This is true not only in the United States but in other countries as well. I believe firmly in the development of water power resources to the extent that they are economically sound and bear their proper share of the costs involved. Flood control, irrigation, and navigation are influencing factors in deciding the justification of a project. These must be carefully examined so as to avoid possible wasteful expenditure of economic resources which could otherwise be put to a better use and, thus, improve the economy of the country. In every case, there should be a clear and full understanding of the facts involved so that the public may be properly enlightened. Only by so doing can there be a constructive approach to the problem of the Federal Government's expansion in the electric power field. There is an urgent need for the determination of an electric power policy on the part of our Federal Government. In certain,

areas, the government has now assumed responsibility for development of our water power resources. It is extremely important also that areas of hydro generation be fully coordinated in operation with areas of thermal generation, wherever this is physically possible both within broad areas or between adjacent areas. There are already outstanding examples of accomplishment of this kind of coordination. Only by such measures can maximum benefits to the country as a whole be achieved.

At present, the two great sources of energy for electric power generation are: (1) thermal energy for the burning (a chemical reaction) of gaseous, liquid, and solid fuels, and (2) the hydraulic energy of falling water. In planning for the future addition of generating capacity to the electric power systems, it is reasonable to expect that the use of the conventional sources of thermal energy are envisioned for a long time to come. It is not to be expected that the new source of heat energy (a nuclear reaction) from atomic heat power reactors will be available in appreciable quantities for extensive use in power plants for many years. If these are to be used as a source of heat energy, they must be competitive with the conventional sources of thermal and hydraulic energy and must be a safe and practical reality. For the present, we can assume that new electric generating installations now being made will undoubtedly serve their economic life before this new source of heat energy will have a large influence over future developments. It is to be hoped that in the development of atomic energy for electric power generation that our industry will be able to take an active part in the same way it has pioneered in bringing our industry to its present stage of development.

Conclusions

In closing I would like to thoughtfully leave with you the following conclusions:

One: The existing electric power resources of the United States are the largest in the world, accounting for almost one-half of the total production and consumption for all nations and nearly six times that of the next nearest nation, the U.S.S.R. These resources are being expanded at a rate far beyond that of any period of the industry's 66 years of outstanding development. For our country with a population of 7% of the world's total, it is one of the major components of our great American industrial system. It is one of our greatest sources of strength for both peace and security.

Two: The wartime record of the electric power industry was of the highest order. Every requirement for war production and essential civilian needs was met when required and in adequate quantity. It was a record of outstanding cooperation both within the industry and between the industry and government. The power industry's resources were mobilized effectively and courageously. No one power region of the country contributed more to vital war production than another.

Three: The postwar period, with its unprecedented load growth, has made necessary an even greater marshalling of existing equipment than ever before. It is an accomplishment which merits the approval and support of the many millions of fair-minded Americans. Generating equipment and other facilities have been coordinated, pooled, and operated to an extent almost beyond belief. No amount of biased ridicule, no attempted efforts to discredit the good work of our industry can change the fact that a great task has been successfully carried out. It is to the everlasting credit of the people in the industry that this has been possible. It gives one faith in the continuation of a free America and a bulwark against the spread of "isms" foreign to our way of life.

Four: Our wartime and postwar achievements and advancements in the field of electric power are an inspiration for other nations allied with us which are endeavoring to stimulate their recovery, strengthen their national economy, and raise their standard of living. Our operating practices, our engineering improvements, our construction methods serve to demonstrate the technical assistance which other nations less fortunate than ourselves may use to their advantage.

Five: The electric power industry will go forward with undiminished vigor, initiative and courage. Great as have been past accomplishments, they can be even greater than before. The establishment of a wise and constructive policy of our government towards our industry can do much to enable the electric power industry to assist, along with other industries, in promoting and insuring the social, economic, and political stability of our country. That is a purpose which is worthy of the thoughtful consideration of all who believe in the democratic principles of life, liberty, and the pursuit of happiness.

Garvin Retires

C. J. Devine & Co., Inc., 48 Wall Street, New York City, have announced the retirement of David J. Garvin, as Vice-President and Director effective May 31.

Outlook for Utility Financing

(Continued from first page)

rations are setting up pension funds for their employees. Consequently, insurance companies and the banks which act as trustees for pension funds have huge sums of money coming into their hands to invest every month. Large amounts of bonds are purchased and, of course, public utility bonds are very popular in this connection.

The Life Insurance Association of America, in their 1948 report for companies representing over 99% of the total assets of the life insurance companies in the country, indicate that the admitted assets of these companies showed a net increase last year of more than $3,800,000,000. As long as you have such a volume of money seeking an outlet, along with other institutional demands, there would seem to be little worry about the ability to dispose of bonds.

Public utility bonds are among the mediums most popular with institutions and the group of life insurance companies which I mentioned increased their holdings of utility bonds last year by the net amount of more than $1,800,000,000. Rates of interest will fluctuate from time to time, but in the last analysis there is relatively little difference between a rate of 2.80% and 2.90% or between 3.10% and 3.20%, for example.

Danger of Heavy Mortgage Financing

Mortgage bond money, by almost any standard of comparison, is cheap money. There is danger that because it is both plentiful and cheap, some companies may be tempted to make maximum use of this medium of financing. Let me urge you not to yield to this temptation. Much has been done in recent years to strengthen and improve capital structures and serious students of the problem are eager that there be no retrogression in this respect. Those of us who were actively interested in utility finances in the early 1930s recall all too well that heavy debt can be embarrassing. To be sure, we do not expect the set of conditions then existing to recur. However, despite the fact that there are no serious clouds on the horizon at present, the time might come when equity financing could not be done as readily as it can be today. In such a situation it would be good to have a backlog of bondable additions against which mortgage bonds could be issued and to have your general credit condition sound.

A few companies have made some use of debentures in the recent past in lieu of mortgage bonds with the avowed purpose of holding bondable additions for possible future needs. This line of approach might have some merit so long as the debentures are used instead of bonds. I am not advocating the use of debentures where equity securities ought to be sold to maintain satisfactory ratios. While there may be nothing sacrosanct about financial standards set up in recent years, they have been developed after careful study and observation and they are entitled to respect.

The volume of preferred stock financing has been relatively low in recent months although it has been showing signs of revival. To understand this situation, it is necessary to trace what has been going on in the preferred stock market in the last few years. Historically, the buyer of preferred stocks was the private investor who was attracted by high yields. When I was a kid in the business in the 1920s, the going rate for preferred stocks was about 7%. In more recent years this rate declined and, after awhile, the average return on preferred stocks was so low as to discourage further interest on the part of most private investors.

At this particular point institutions were having difficulties putting their funds to work, partly because of the drying up of new mortgages during the war years. Many institutions stepped into the preferred stock market with avidity and yields were driven to low levels which were unprecedented. Some companies were successful in financing with preferred stocks at yields of less than 3½%. In due course other avenues opened up for the investment of institutional funds and the insurance companies lost interest in preferred stocks. With changes in general money rates the returns on these issues rose into the area from 4% to 4½% with the result that institutions saw preferred stocks, which they had purchased at 100, selling at 80 to 85.

Naturally, this experience left them in an unhappy frame of mind and contributed to a chilling of their enthusiasm for these stocks. One problem as to preferred stocks in portfolios of insurance companies is that in most cases they must be carried for valuation purposes at market values while bonds may be carried at amortized values. Many institutional buyers point out that they may purchase a bond at the wrong phase of the money market and see prices decline subsequently, but at least their investment is restored at the maturity of the bond. On the other hand, they may purchase a preferred stock at the wrong time and, because there is no obligation to retire the preferred, they may never see their money intact again. This line of approach has led to something rather novel in utility preferred stock financing—the creation of sinking funds for purchase funds.

The sinking fund involves a commitment to retire a specified amount of stock annually while the purchase fund retires stock only if it is available at or below the original issue price. A satisfactory sinking fund gives a preferred stock many of the attributes of a long-term debenture, but some utility companies object to such a fund as adding to their problems of raising capital. Recent sales of preferred stocks suggest that it is entirely possible to sell these stocks without sinking or purchase funds, but some institutions still indicate they would be happier with them.

It appears at present that preferred stock financing can be done in greater volume than that prevailing for some time if the companies will accept the fact that the return to the investor may have to be from around 4¼% to 4½% for the better recognized names and 4¾%, or even higher, for the less favored names. Some institutions take the attitude that a spread of 1½% between the return of a company's bonds and the return on its preferred stock should be regarded as fairly normal. Certainly, utility executives would do well to recognize that there is little chance of doing preferred stock financing again as advantageously as it was done in 1946. A rate of 4½% to 5% is much more normal and still is economical as compared with the 6% and 7% of the old days. Obviously, spreads paid to underwriters must be reasonably generous as these preferred stocks are not sold with the readiness with which bonds are sold. Lessening of expansion activity among industrial enterprises might very possibly influence institutions to renew some of their former interest in utility preferreds. With a realistic viewpoint towards prices and spreads, preferred stocks can be sold and are a desirable medium for a certain segment of the overall financing program.

Convertible Securities

Questions are raised occasionally about the use of convertible securities, either debentures or preferred stock. Convertible securities used in the proper place can be very helpful, but if used ill-advisedly, they can be a serious handicap. My feeling is that they serve a useful purpose when a company foresees a definite set of circumstances arising in the future, such as a favorable change in dividend policy, which will make its common stock sell higher than it is selling at the time of the financing. Probably the two best examples of companies which have successfully used convertible debentures in recent years are Public Service Company of Colorado and Public Service Company of Indiana. Both companies put out convertible debentures in 1947 and the conversion was completed by the Colorado Company in late 1948 and by the Indiana Company in the recent past. The net realization to the company was definitely higher in both cases than it would have been if the stock had been sold at the time the debentures were sold. However, both companies had in their favor a change in dividends which made their common stock more attractive and which could be foreseen at the time the debentures were sold.

The danger in convertible securities lies in their use when there is no foreseeable change in status of the common stock but where there is dependence, rather, on a general improvement in the equity market to make conversion attractive. In such a case, a company may find that in the absence of market improvement, conversion has not been stimulated. When new equity financing has to be done the present convertible securities in the financial structure may be a deterrent because conservative analysts often look at earning power, giving effect to potential dilution through the conversion, even if conversion has not taken place.

Common Stocks

Turning now to the common stock market, the picture is a more cheerful one than we have had in some time. If I had been filling this assignment a year ago I would have had to point out three recurring objections raised when purchases of utility common stocks were suggested. These were: (1) that utility companies were caught in a squeeze between increasing costs on one hand and allegedly inflexible rates on the other; (2) that the huge amount of financing to be done would hold down the level of common stock prices and (3) that the divestment of operating company common stocks by holding companies would create a heavy supply of stocks to be digested. Many of us did not subscribe to these premises but the fact remains that many buyers thought along the lines indicated.

The more favorable feeling toward utility stocks, which began to be in evidence around the turn of the year, was brought about in considerable measure by the change from an atmosphere of inflation to one of deflation. When commodity prices began to level off, and subsequently to decline, people were ready to concede that the utility companies would be affected favorably, rather than otherwise. Also, they recognized that if we were to have some modest recession in business, utility stocks might be owned more safely than industrials or rails. As a result, in recent months we have seen excellent buying in utility common stocks and the demand is continuing. For example, we saw the sale of New York State Electric & Gas common by its parent, General Public Utilities, in a transaction involving more than $35,000,000. A utility equity deal of this magnitude could not have been handled nearly as satisfactorily a year ago. The success of all the offerings of stocks for new money has helped to dissipate the fears that these deals could not be carried through and people now realize that holding company divestments are coming in orderly fashion so that there will be no unmanageable flood of stocks from this source.

The price structure of utility common has already strengthened. I am inclined to give encouragement to any of you who need equity capital in the near future to take advantage of the good demand which now exists. This should not be interpreted as urging all of you to go back to your offices and file registration statements next Monday morning as one of the problems we have in the financing field is the scheduling of new issues. There is room for a lot more cooperation in the spacing of dates for offerings of utility securities, both debt and equity.

If we are in agreement that common stock utility financing can be done at the present time let us think a moment about the best methods. Some of you are in states where preemptive rights are established by law but others of you can make a decision as to whether to offer new stock through rights to existing stockholders or through an underwritten offering to the public. There is not necessarily a definite answer to this question as there is something to be said on both sides. Obviously, rights involve a certain amount of expense and nuisance which you would like to avoid. On the other hand, if your stockholder relationships have been well cultivated over the years you can count on a certain degree of loyalty from your stockholders in making additional stock purchases when you present the opportunity. We have observed that an investor might not come to his security dealer's office and say he had money to invest, but if rights come to him from one of his companies he will go "under the mattress" or into the "piggy bank" and come up with the necessary funds to exercise the rights. By and large, the utility investor is of a conservative type, who often is prone to look on himself as really a part owner of a business.

If you issue rights, I urge you to consider seriously the payment of commissions to dealers for getting the rights exercised. This device has been used by a number of companies with satisfaction. This suggestion is not the plea of a hungry investment man, seeking a handout, but rather a statement of the case that there is gain to a company in having the dealers working for them, and also that a dealer is entitled to fair remuneration for the work he does. Many of you whose chief contacts are with big investors may not realize what goes on with the small investor who has bought a stock on the recommendation of his security dealer. He takes the rights into that dealer's office and asks "What shall I do?" If the dealer advises that they be exercised, more likely than not, he tells the dealer to go ahead and attend to the details. The amount of time and out-of-pocket expense incurred by the dealer in such a transaction is substantial, and in the absence of a commission, it is a dead loss to him. Certainly he cannot afford to search out his customers and urge them to subscribe to the new stock as you would like to have him do.

There is a valid objection to attempting to insure success of a rights offering by pricing the stock substantially below the existing market. In the first place, such a policy tends to destroy a substantial amount of market value as the operations of orbitrageurs depress prices. In the second place, an investor who decides to sell his rights may do so and look on the proceeds as a generous extra dividend, not realizing that, in effect, he has sold a part of his capital investment.

The question as to whether stocks of utility companies coming on to the market for the first time should be listed on an exchange is a controversial one. As I am identified with a house which has both exchange memberships and over-the-counter distribution, I can speak dispassionately. I feel there is merit in having the stock seasoned for a period in the over-the-counter market, especially if the company is small or off the beaten track. Some of these companies probably should have their shares in the over-the-counter market more or less indefinitely. On the other hand, with suitable seasoning, the larger and better-known companies can advantageously list their shares, particularly when a substantial interest has developed on the part of institutions as such buyers usually prefer a listed market. Blue-sky laws in some states favor listed stocks.

However, when there is real missionary work to be done and a story needs to be told which requires time and effort, the contribution which dealers in unlisted securities can make through their retail sales organizations is important and valuable.

Question of Common Stock Earnings

An objection raised in some quarters to the purchase of utility stocks is the failure of the industry in recent years to show gains in the balance of earnings for its common stockholders commensurate with the growth in business. In fact, composite figures for the industry have been very disappointing in the small increases on the bottom line, especially in view of new capital invested. Of course, many individual companies have done better than the average for the industry. A while ago a trust officer of a bank told me that his institution did not approve utility stocks for trust acccounts which could buy common stocks because, he said, "The utility industry is not a growth industry." Noticing that I was startled by this observation, he went on to say that he recognized that the business and revenues of the industry were growing but that this did not show up in higher earnings for the common shares.

I feel strongly that this problem is one which utility companies must recognize and face. While there is a certain segment of the investing public which is satisfied with stability, I fear you cannot sell the amount of common stock you have got to sell unless it is possible for the purchasers to look ahead with hope of higher earnings and dividends as time goes on. If you feel you can show improved earnings for your shareholders only by getting higher rates, then I urge you sincerely to go after them. Over the years the electric industry has been so successful in consistently reducing rates that I recognize that some executives are reluctant to reverse the trend but the problem should be faced squarely. Generally speaking, I think the regulatory bodies have been sympathetic with justified pleas for higher rates.

I notice that many executives in public utterances or in annual reports lay stress on their threefold responsibility to their customers, their employees and their stockholders. It is interesting to contemplate for just a minute how these responsibilities have been met.

As to the customer, we all know that the quality of service today is excellent, and while there have been some modest increases in rates in certain spots in recent past, the cost of electricity in most places is now definitely lower than in the pre-war years. This is in marked contrast to practically every other item in the family

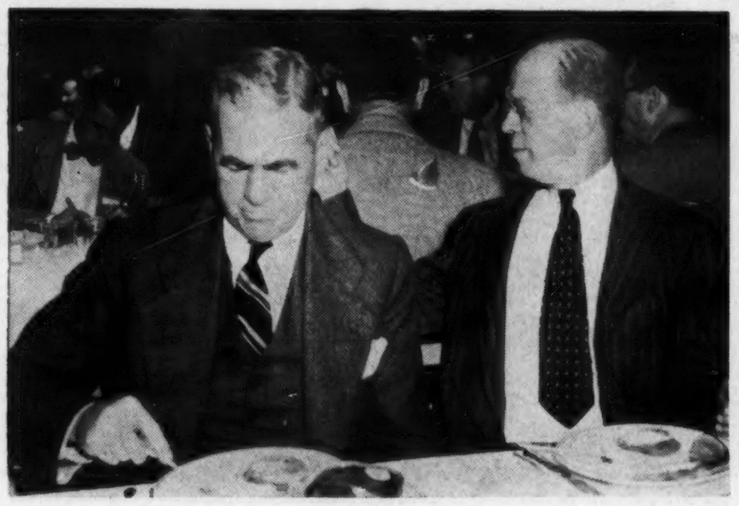
(Continued on page 29)

Bond Club of New York

Benjamin J. Buttenweiser, *Kuhn, Loeb & Co.;* James C. Warren, *A. M. Kidder & Co.;* Amyas Ames, *Kidder, Peabody & Co.;* Sumner Emerson, *Morgan, Stanley & Co.*

Ralph Allen, *Laird, Bissell & Meeds;* S. Curtis Fisher, *Francis I. du Pont & Co.;* Hal Murphy, *The Commercial & Financial Chronicle*

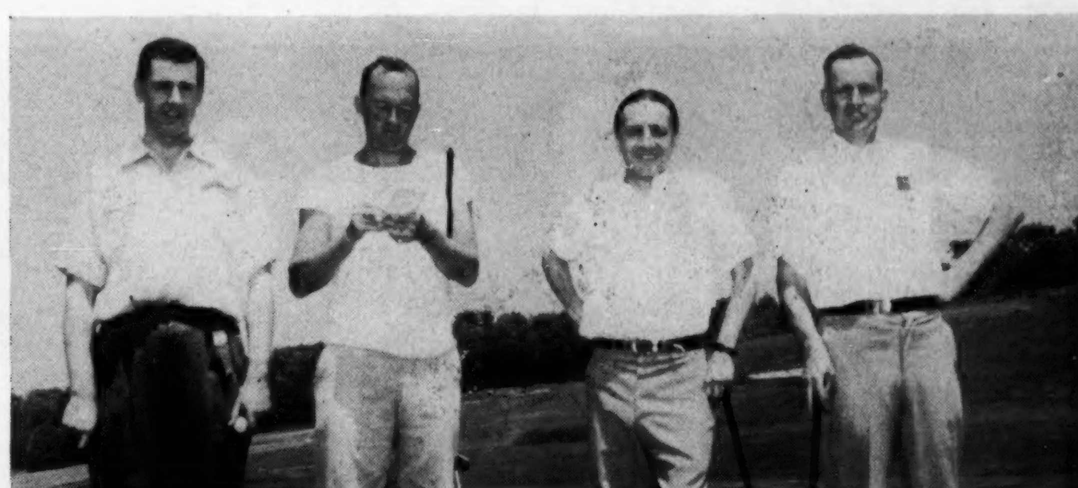
Francis A. Cannon, *First Boston Corp.;* John W. Valentine, *Harris, Hall & Co.*, New York, Field Day Chairman; Edward Glassmeyer, Jr., *Blyth & Co., Inc.*



Irving D. Fish, *Smith Barney & Co.;* Herbert F. Boynton, *Laird, Bissell & Meeds*

John Linen, *Chase National Bank;* Craig Bartlett, *Central Hanover Bank & Trust Co.*

Joshua A. Davis, *Reynolds & Co.;* Thomas T. Coxon, *Hallgarten & Co.;* Earle T. Holsapple, *Holsapple & Co.;* Russell Welles, *Central Hanover Bank & Trust Co.*—a horseshoe-pitching foursome



W. Scott Cluett, *Harriman Ripley & Co.;* Clarence Bartow, *Drexel & Co.;* Allyn C. Eustis, Jr., *Spencer Trask & Co.;* Mathew D. Hall, *L. A. Mathey & Co.*

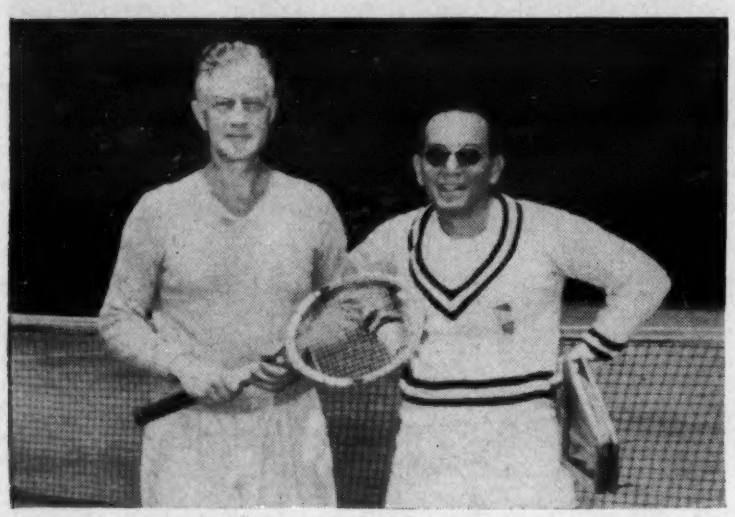
William G. Laemmel, *Chemical Bank & Trust Co.;* E. F. Dunstan, *Bankers Trust Co.;* Richard de La Chapelle, *Lee Higginson Corp.;* A. Sidney Norton, *Bankers Trust Co.*

Eugene Bashore, *Blyth & Co., Inc.;* Paul Devlin, *Blyth & Co., Inc.;* Phillip W. Brown, *Smith, Barney & Co.*

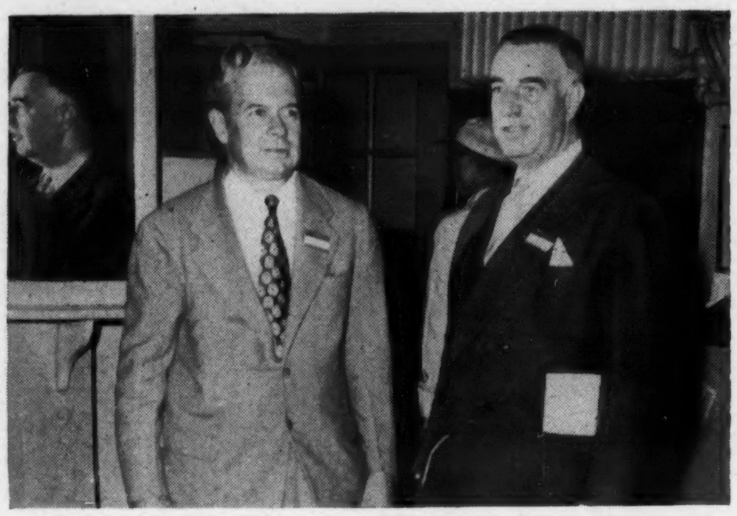
Twenty-Fifth Annual Field Day

Robert W. Fisher, *Blyth & Co., Inc.;* David J. Lewis, *Paine, Webber, Jackson & Curtis;* F. Dewey Everett, *Hornblower & Weeks*

Charles L. Morse, Jr., *Hemphill, Noyes & Co.;* George J. Leness, *Merrill Lynch, Pierce, Fenner & Beane;* Alexander Clark at the Calliope



James C. Warren, *A. M. Kidder & Co.;* A. Wilfred May, *Commercial & Financial Chronicle*



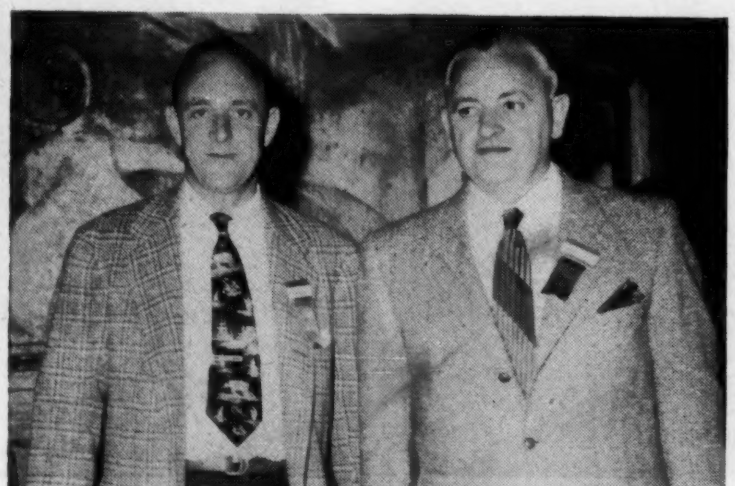
Leverett F. Hooper, *First National Bank of New York;* Edward F. Coombs, *Asiel & Co.*

Frederick M. Grimshaw, *Barr Brothers & Co.;* Joseph T. Reisler, *Manufacturers Trust Co.*

Eugene Barry, *Shields & Co.;* Walt Thomas, *Hornblower & Weeks;* Austin A. Graham, *Merrill Lynch, Pierce, Fenner & Beane*

Herbert E. Anderson, Jr., *Green, Ellis & Anderson;* Archibald H. Busby, *Green, Ellis & Anderson;* Henry Holt, *Kidder, Peabody & Co.*

David L. Skinner, *Harriman Ripley & Co.;* Harry W. Beebe, *Harriman Ripley & Co.*

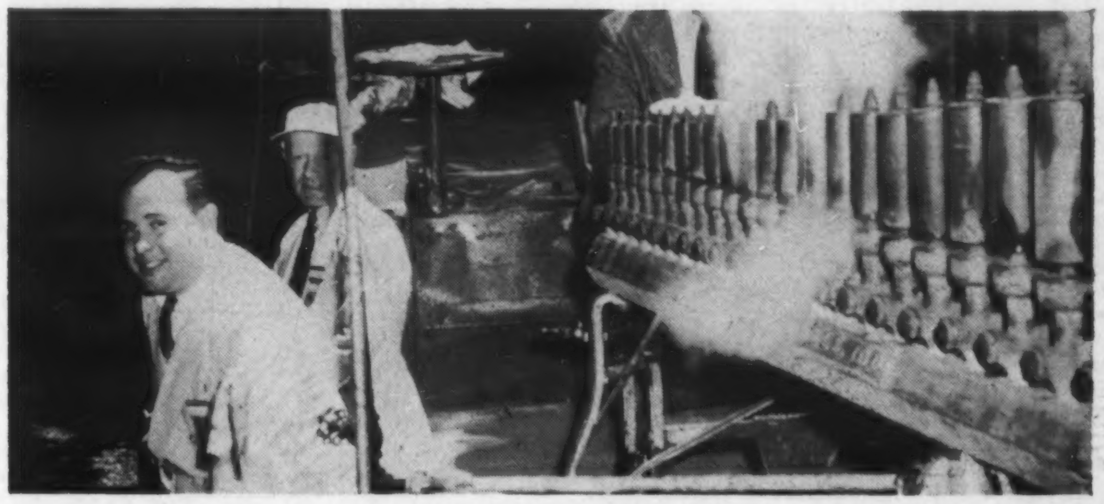


H. Lawrence Bogert, Jr., *Eastman, Dillon & Co.;* Elmer F. Dieckman, *Glore, Forgan & Co.*

Harry M. Addinsell, *First Boston Corp.;* Wm. R. Coe, Jr., *Vice-President of Virginian Railway*

Friday, June 3rd, 1949

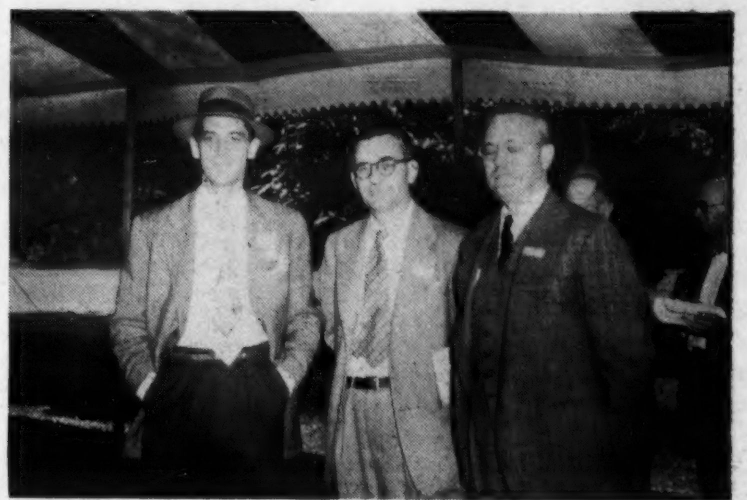
R. I. Clark, *Spencer Trask & Co.;* Alfred J. Ross, *Dick & Merle-Smith;* J. J. Clapp, *R. W. Pressprich & Co.;* A. J. Martin, *U. S. Trust Co.*



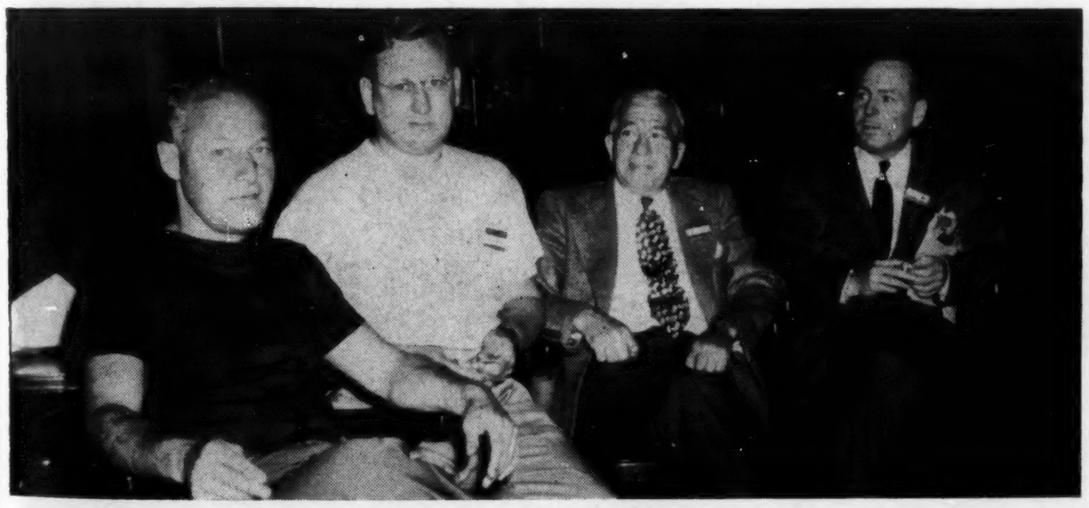
John Valentine, *Harris, Hall & Co.*, New York City; Edward Glassmeyer, Jr., *Blyth & Co., Inc.*

Emil C. Williams, *Chemical Bank & Trust Co.;* C. J. Waldmann, *Kean, Taylor & Co.;* G. R. Waldmann, *Mercantile Commerce Bank & Trust Co.*

Charles Bishop, *Central Hanover Bank & Trust Co.;* Hamilton Schwarz, *F. S. Smithers & Co.;* J. Raymond Smith, *Weeden & Co.*, New York City



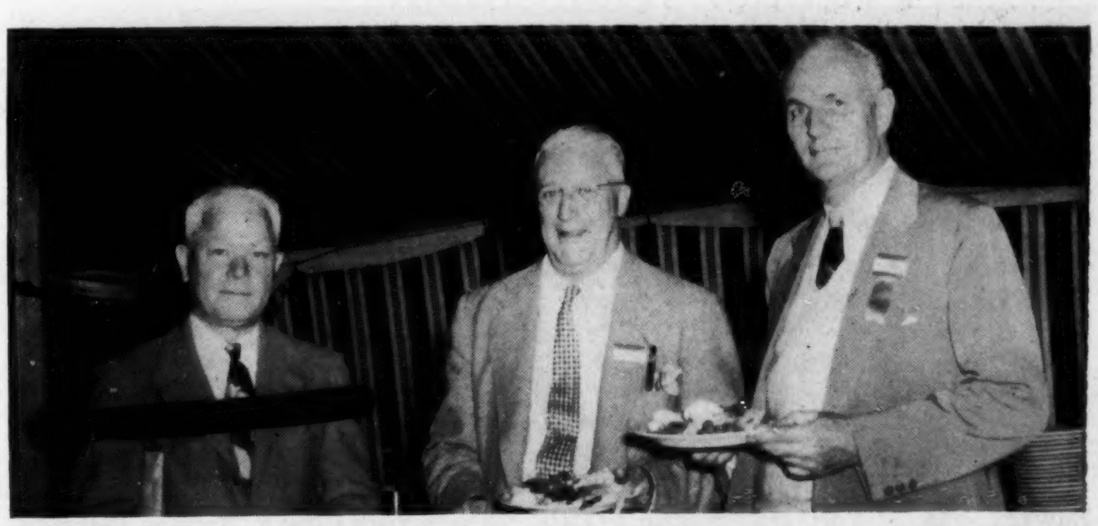
C. Cheever Hardwick, *Smith, Barney & Co.;* Walter H. Steel, *Drexel & Co.;* Darnall Wallace, *Coffin & Burr, Inc.*, New York City



Robert Craft, *Guaranty Trust Co.;* Edward S. Peterson, *New York Trust Co.;* Arthur H. Kiendl, *Guaranty Trust Co.;* Frederick A. Krayer, *E. W. Clark & Co.*, N. Y. C.

William C. Orton, *Gude, Winmill & Co.;* Robert S. Davis, *Dominick & Dominick;* Douglas E. Bartow, *Central Republic Co.;* Parker Monroe, *Carnegie-Teachers Investment Office*, 522 Fifth Avenue, New York City

C. Russell Lea, *Reynolds & Co.;* Conrad H. Liebenfrost, *Stern, Lauer & Co.;* George Holzman, *Chase National Bank;* Arthur W. McGrath, *First National Bank*

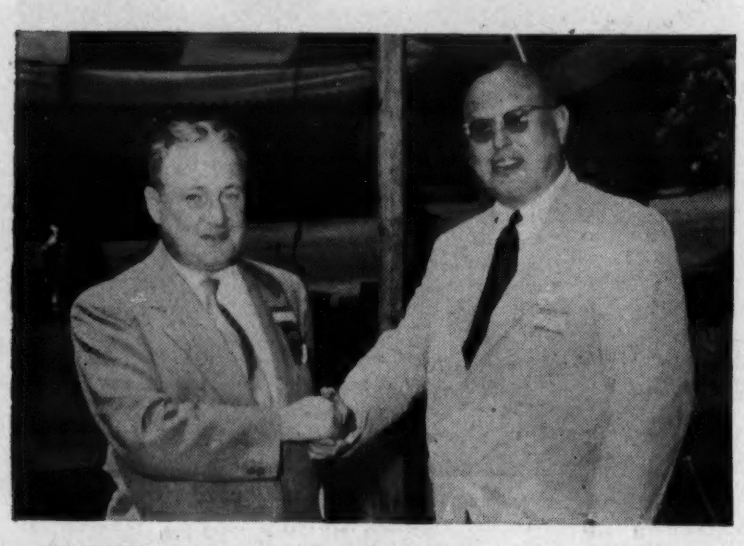


John P. G. Moran, *Irving Trust Co.;* Frank Gernon, *Carl M. Loeb, Rhoades & Co.;* F. Kenneth Stevenson, *Goldman, Sachs & Co.*

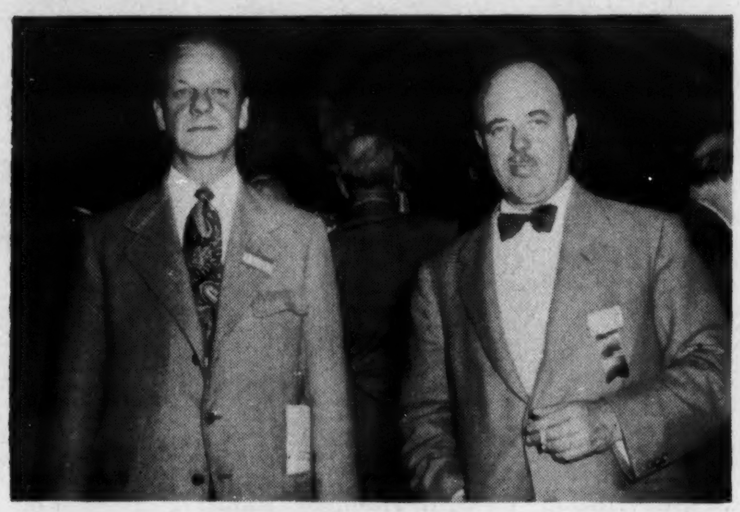
At Sleepy Hollow Country Club

John W. Sharbough, *Union Securities Corp.;* Chester M. Clark, *Stone & Webster Securities Corp.;* Gardner H. Rome, *Stone & Webster Securities Corp.;* John Straley, *Hugh W. Long & Co.*

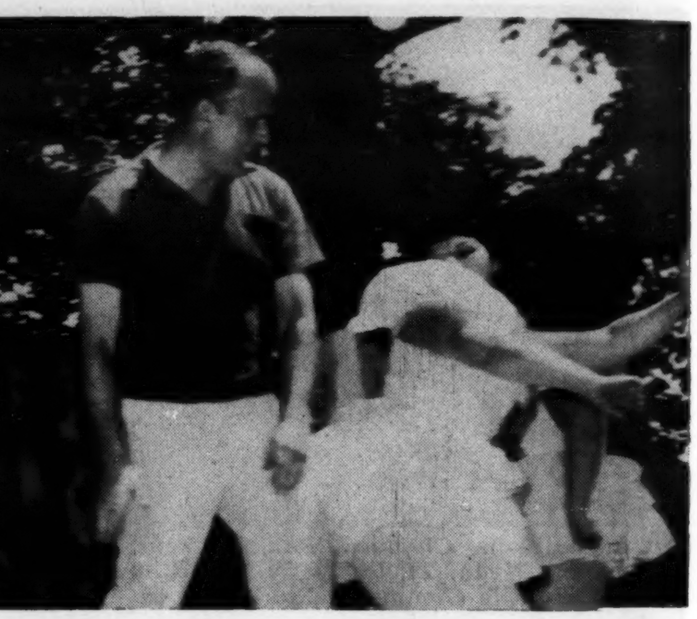
Walter W. Cooper, *F. S. Smithers & Co.;* Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine,* New York City; Charles W. Yant, *A. C. Allyn & Co.,* New York City; Francis B. Bowman, *Chase National Bank*



E. Jansen Hunt, *White, Weld & Co.;* Lester Powers



Edward S. Johnston, *Wood, Gundy & Co.;* W. H. R. Jarvis, *McLeod, Young, Weir & Co.,* New York

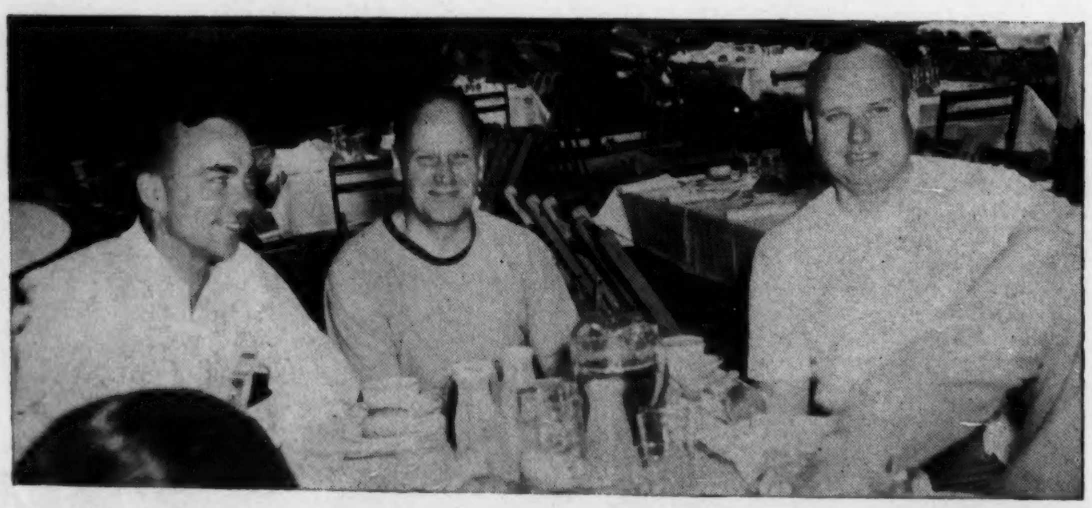


Salim Lissner Lewis, *Bear, Stearns & Co.*—Boopsey-Daisy exhibition after lunch

H. Lawrence Bogert, Jr., *Eastman, Dillon & Co.;* Lloyd S. Gilmour, *Eastman, Dillon & Co.*

Perry B. Strassburger (member for a day); Theodore Prince

William H. Morton, *W. H. Morton & Co.;* Harley A. Watson, *Eldredge & Co.*



Edward McGrew, *Northern Trust Co. of Chicago,* New York City; E. Norman Peterson, *Equitable Securities Corp.;* E. J. Altgelt, Jr., *Harris Trust & Savings Bank,* New York

Edwin Gibbs, *Lehman Bros.;* Robert C. Johnson, *Kidder, Peabody & Co.;* George J. Leness, *Merrill Lynch, Pierce, Fenner & Beane;* William H. Long, Jr., *Doremus & Co.*

Outlook for Utility Financing

(Continued from page 24)

market-basket which costs much more than it did before the war.

As to the employee of the power company we know that his wages have been stepped up consistently. United States Bureau of Labor Statistics show that the average weekly earnings of employees in this industry were $35.10 in 1940 and $60.77 in 1948. Furthermore, this is only a part of the story as we must consider also what has been done for the employees in the way of retirement plans and other so-called "fringe" benefits in recent years.

Now, let us see how the common stockholder has fared in the same period. I picked a list of eleven representative, well-known utility companies whose common shares were in the hands of the public as far back as 1940. If an investor had owned one share of each of these stocks in that year his combined dividends would have been $25.53½. The return on the equivalent holdings in 1948 was $24.04½. In other words, he would have received a slightly lower return last year, and if we even mention the purchasing power represented by that return, the story is a sorry one.

I leave it to you as to which of the three groups you are working for has come out on the short end. I touch on angles, such as this, because I think you should know what factors may be deterring some people from buying your common stocks and what you can do to make them more attractive.

Securities Market Competitive

Passing from the general problem to the problem of the individual companies in raising equity, I want to remind you that while you may be engaged in a noncompetitive enterprise so far as your service is concerned, you are in a highly competitive situation in respect to your securities, and more especially your stocks. It behooves you to spend conscientious time and effort in getting the story of your company before the investing public and especially before investment dealers and others who make recommendations to the ultimate purchasers. Your stock will be passed by if these advisors are unfamiliar with it. I am not going to expand on this point because it will be covered tomorrow by my friend, Tom Walker, in his address but I do want to commend to your very careful attention what he has to say in this connection.

From time to time, questions are raised as to the wide disparity in relationships between the earnings of various companies and the prices at which their shares sell. We speak of this relationship most frequently in terms of the price-earnings ratio. This subject would be broad enough in itself for a talk, and it is a subject I have studied carefully.

May I say that the results of these studies have convinced me that the most important single influence on the price-earnings ratio is the proportion of earnings on the common stock paid out as dividends. If you want to get the best price for your stock, as you sell it, and if you wish to gain the loyalty of your stockholders, you should contemplate a dividend policy as generous as good judgment dictates.

There are two schools of thought about raising common equity. One group favors keeping dividends low and retaining earnings to as high a degree as possible so as to minimize new financing, while the second group favors the payment of a fair dividend and the raising of new funds from sale of additional stock, as needed. My vote is cast unhesitatingly for the second approach. A big reason for the sensitivity of the market to dividends, rather than earnings, is that the investor who buys operating utility common stocks generally is a conservative individual, interested to a considerable extent in income. Obviously, these stocks are not vehicles for wide speculative gains. If the purchaser is interested in income he is willing to pay more for those earnings which come to his door every quarter in the form of a check than he is for earnings plowed back for reinvestment. In other words, "a bird in the hand is worth two in the bush" as far as the average stockholder is concerned. Furthermore, since the earnings are his, he would welcome the opportunity to decide, himself, whether to reinvest them.

Some companies seem strangely reluctant to raise their dividend rates in the face of earnings which would seem to warrant higher disbursement and, in my opinion, this is a shortsighted policy. Obviously, it is impossible to set a figure which is universally appropriate as to the proportion of earnings which should be disbursed as dividends but I do urge you to review your own situation to see whether you are playing fair with your stockholders in this matter.

Competitive Bidding

One other matter I wish to mention in passing is competitive bidding. This seems to be pretty well recognized now as standard procedure in the sale of utility bonds. Unfortunately from the standpoint of the investment business competition has become so keen that the spreads to dealers on competitive bond deals are woefully small. They are utterly inadequate to compensate for the risk and for the amount of time as well as out-of-pocket expense which is involved for each competing group. You may rightfully say that it is our own funeral and a situation of our own creation. This is true to some extent but I want to point out that if the situation continues as it is, there is a danger that the investment business will not continue in a strong and healthy condition and you certainly need a strong and healthy investment banking industry to raise the huge amounts of funds you are going to need.

Competitive bidding for equity securities is another matter and here I feel there is an excellent case to be presented in favor of negotiated transactions. For a successful sale of equity issues a great deal of preliminary work is both necessary and desirable. Obviously, if a group is uncertain whether or not it will be the successful bidder, promotional work must be held to a minimum. This means that the issuing company must suffer, both as to the price it receives for its securities, and the type of distribution which its shares get.

Another important factor is timing. With dead-line bidding, dates must be set well in advance and the issue may come to the market at a poor time whereas negotiated deals have a flexibility as to scheduling which permits the company and the dealers to agree on an advantageous time to bring the deal. Companies whose location is off the beaten track, or which are not well known to the investing public, particularly need a great deal of educational work. It is sincerely hoped that something may be worked out whereby competitive bidding on equity deals may not be insisted upon. In respect to negotiated deals, remember that the degree of interest in your situation on the part of various dealers will vary over a period of time. You may gain new friends who could be very helpful in distributing your shares but who were not in groups which distributed your shares in earlier offerings. Fairness dictates recognizing this fact when new underwriting groups are made up.

Let me say in conclusion that those of us who work closely with utility securities are convinced that we are talking about one of the finest types of merchandise which can be offered to the investing public. We are proud to be identified with a group which has done such an outstanding job over the years as you gentlemen have done. As we spread the gospel of utility securities we are selling something that we believe in thoroughly. We ask your sympathetic help and consideration in keeping us posted with the facts and figures we need to do this selling job. We ask your cooperation in making your securities as attractive to the investing public as possible. With this cooperation I am thoroughly convinced, as I said in the beginning, that the money you need can and will be raised. I pledge you the active and aggressive assistance of the investment bankers in attaining that end.

Newburger & Co. New Visualization Exhibit

Newburger & Co., 1342 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, carrying out their "Visualization of the most modern products manufactured by corporations whose securities are listed, are now exhibiting in their offices the latest products of General Instrument Corporation.

Charles L. Morse, Jr., Elected President of Bond Club of New York; 25th Ann. Field Day

Charles L. Morse, Jr., of Hemphill, Noyes & Co., was elected President of the Bond Club of New York at the annual meeting held in connection with the Club's Field Day at the Sleepy Hollow Country Club June 3. He succeeds George J. Leness of Merrill Lynch, Pierce, Fenner & Beane, who has been President for the past year.

Clarence W. Bartow of Drexel & Co. was elected Vice-President, succeeding Mr. Morse. Harold H. Cook of Spencer Trask & Co., was

C. L. Morse, Jr. Clarence W. Bartow

elected Secretary and H. Warren Wilson of Union Securities Corp., Treasurer.

Elected members of the Board of Governors to serve three years were Clarence E. Goldsmith of White, Weld & Co.; Robert J. Lewis of Estabrook & Co.; John W. Valentine of Harris, Hall & Co., and A. Sidney Norton of Bankers Trust Company.

Continuing Governors will be Raymond D. Stitzer of Equitable Securities Corp.; G. H. Walker, Jr., of G. H. Walker & Co.; Austin Brown of Dean Witter & Co.; Harry C. Clifford of Kidder, Peabody & Co., and Thomas T. Coxon of Hallgarten & Co.

Approximately 550 bond men and members of the financial press—a record number—attended for the club's Silver Anniversary Field Day, which was crammed with sports and entertainment.

Several hundred members of the club took part in the annual golf tournament. Divided into three handicap classes, the players competed for three Bond Club trophies—the ex-Presidents' Cup, the Candee Cup and the Christie Cup—and for more than a dozen individual prizes. Both upper and lower courses at the club were open for play.

V. Theodore Low, Bear, Stearns & Co., won the ex-President's trophy with a low gross of 72. John S. Linen of the Chase National Bank won the Candee cup with a score of 68, and Barton Fox won the Christie cup in a match play against par.

Prescott Bush, Brown Bros. Harriman & Co. won the class A golf match for low gross with a score of 73; low net was won by Gilbert Stanley, Merrill Lynch, Pierce, Fenner & Beane. In class B, Scott Cluett, Harriman Ripley & Co., won low gross and Clarence E. Goldsmith, White, Weld & Co., won low net. Robert Lamont, Kidder, Peabody & Co., and John S. Reitenbaugh, Goodbody & Co., were winners in class C.

Other winners in the special event at the outing were Charles B. Stuart, Halsey, Stuart & Co.; Eugene Bashore, Blyth & Co., Inc.; A. Sidney Norton, Bankers Trust Co., and G. Wilmer Slaight, Chadwick & Slaight.

Upon arrival at Sleepy Hollow, the guests were greeted with free copies of the Bawl Street Journal, the Bond Club's famous publication which lampoons the outstanding events in the world of finance and politics.

A carnival atmosphere prevailed through the day. Tents were pitched on the spacious lawns of Sleepy Hollow to house the Bond Club, a Field Day circus and other attractions.

Other events on the sports schedule were a soft-ball game, doubles tennis tournament, horseshoe pitching, a hole-in-one contest, diving and swimming exhibitions. A buffet luncheon was served on the lawn surrounding the swimming pool and the terrace at the main club house was the scene of the dinner and and evening's entertainment.

Winners of the tennis doubles were Donald Stralen, Hallgarten & Co., and William Price, Stone & Webster Securities Corp.

Harriman Ripley Co. Adds Travis to Staff

CHICAGO, ILL.—Harriman Ripley & Co., Inc., 135 South La Salle Street, announce that Eugene C. Travis is now associated with their municipal department. Mr. Travis was formerly a member of the staff of the bond department of the Continental Illinois National Bank & Trust Co. of Chicago.

Joins First California Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Clement P. Moore has joined the staff of First California Company, 647 South Spring Street.

Dominick & Dominick

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Gayer Dominick Bellamy to partnership, effective July 1.

Marcus & Co. to Admit

Jules Marcus will acquire the New York Stock Exchange membership of F. Russell Pett and will become a partner in the New York Stock Exchange firm of Marcus & Co., 61 Broadway, New York City on July 1.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The recent action of the Bank of the Manhattan Company in obtaining additional capital through the offering of shares to stockholders raises the question of the capital accounts of all banks and particularly those in New York City.

It is generally recognized that if there had been a favorable equity market for bank shares over the past three years, a number of banks would have obtained capital through the sale of common stock. However, with most bank shares selling at substantial discounts from book values the prospect of diluting the existing stockholders' equity had little appeal.

As a result dividends have continued conservative with a large proportion of earnings being added to capital accounts. In fact, this method, retained earnings, has been the principal factor contributing towards larger capital funds.

With the passage of time most banks have also experienced reduced deposits and this too has improved the capital position of various banks.

Another factor which is of considerable importance in a number of institutions has been the transfer of certain contingency reserves to the capital account. The recent ruling of the Commissioner of Internal Revenue allowing banks to provide certain tax free bad-debt reserves has, in a measure eliminated the necessity of certain other contingency and valuation reserves. They have in some cases been used to provide part of the bad-debt reserves and in others added to the undivided profit accounts.

These developments have resulted in a general improvement in the capital-deposit ratios of the various banks. In New York City banks, the change has been considerable. From 1946 when there was an average of around thirteen dollars of deposits to one of capital the ratio has changed to where it is now approximately nine dollars of deposits to one of capital.

Of course the expansion in the commercial loan portfolio since 1946 has meant that there is a greater amount of risk assets than formerly but even here the ratio of capital to risk assets is on a conservative basis.

As a means of comparison the following tabulation, showing the relationships between capital, deposits, and loans and discounts, the principal risk assets, has been compiled. Figures used are as of March 31, 1949.

	Capital	Surplus	Undivided Profits	Total Deposits	Deposits Times Cap. Funds	Loans & Discounts (000's)
	(000's Omitted)					
Bank of Manhattan	$20,000	$30,000	$17,138	$1,081,518	$16.1	$416,811
Bankers Trust	30,000	80,000	55,423	1,360,714	8.2	563,849
Central Hanover	21,000	80,000	30,076	1,325,646	10.1	477,488
Chase National	111,000	154,000	64,463	4,067,177	12.3	1,524,426
Chemical Bank	25,000	75,000	11,483	1,326,728	11.9	540,439
Commercial National	7,000	11,000	3,185	165,922	7.8	46,034
Corn Exchange	15,000	25,000	5,443	750,858	16.5	70,140
First National	10,000	100,000	31,287	511,379	3.6	104,344
Guaranty Trust	100,000	200,000	69,303	2,309,540	6.3	1,012,290
Irving Trust	50,000	55,000	11,942	1,037,114	8.9	419,701
Manufacturers Trust	45,000	60,000	29,582	2,111,606	15.7	572,764
National City	134,000	136,000	52,572	4,534,193	14.1	1,397,011
New York Trust	15,000	35,000	16,227	566,423	8.6	263,255
Public National	9,625	12,375	8,142	484,018	16.1	152,972

*Does not give effect to financing. †Includes appropriate figures of City Bank Farmers Trust.

From the foregoing it can be seen that with one or two exceptions most banks have the traditional ratio of one dollar of capital funds for each ten dollars of deposits. The sale of additional stock by the Bank of Manhattan should improve that ratio.

Corn Exchange has the highest deposit ratio of all the banks equal to 16.5 dollars of deposits for each dollar of capital. One of the important things in this connection, however, is that Corn Exchange has relatively few risk assets. Loans and discounts amounting to $70,140,000 compare with total capital funds of $45,443,000. In other words, for every dollar of capital the bank only has about $1.50 in loans and discounts. The remaining assets are relatively risk free and consist primarily of short-term government securities.

Certain banking supervisory officials have indicated that a ratio of one dollar of capital for every five of risk assets is a satisfactory relationship. On this basis also most of the banks in New York City have adequate capital and the need for additional funds should not present any problem. This is probably even more true today than several months ago. The sharp decline in bank loans outstanding has undoubtedly reduced risks.

Thus while the restoration of capital fund ratios to a normal relationship for most banks should reduce the urgency of obtaining new capital by retaining earnings, the course of business at present will likely prevent any immediate increases in dividend payments. Distributions are conservative however, amounting to an average of approximately 60% of earnings. When earnings are stabilized the capital funds position of most banks, which has prevented larger payments in the past few years, should be no problem.

Senate OKs Monetary Commission Bill

The Senate approved on June 2 the bill introduced by Senators Maybank (Dem.-S. C.) and Tobey (Rep.-Nev.) to set up a National Monetary Commission to study the money and credit system.

The proposed commission would be composed of 18 members. The President would name six of them, three from the Executive branch of the Government and three from private life. Six would be appointed by Vice-President Barkley, and six by House Speaker Rayburn. One-half of each group appointed by the Vice-President and the Speaker, are to come from men in private life.

The commission is to have equal representation from the Democratic and Republican parties. It would have authority to determine "what changes are necessary or desirable in the banking and monetary system of the United States, or in the laws relating to banking and currency, by reason of domestic or international considerations or both."

The full text of the bill was published in the "Chronicle," issue of April 28 (p. 26). It was supported by Chairman McCabe of the Federal Reserve Board, but Treasury Secretary John W. Snyder, in a letter to the sponsor, Senator Maybank, said there was no urgent need now for a commission to study money matters.

Progress and Problems Of Electric Utilities

(Continued from first page)

Convention I propose to discuss briefly some of the important factors affecting the current position of the electric industry. In order to avoid unnecessary duplication of matters to be covered more fully in subsequent presentations, I will confine myself to a high-light review of particular subjects and ask that you consider the entire Convention program as the report on the "state of the industry."

The Power Shortage Threat

We have been faced during the past two years with a problem of great potential public concern—the threat of a so-called "power shortage." This threat came as a result of circumstances beyond our control involving, first, governmental restrictions on the installation of new generating capacity during World War II, and second, the unprecedented and unexpected load growth experienced in the postwar period. Without full knowledge of the coming load growth, however, but immediately upon the lifting of the ban on the production of electrical equipment, the industry launched a six-year, $9 billion construction program to restore the margins of reserve capacity depleted during the war. This program, which covers the period 1946 through 1951, contemplates the addition of 52% to the generating capacity of the industry as of the close of the war. It has taxed the production facilities of the electrical manufacturers to the limit, and represents, I believe, the biggest industrial expansion program in all history. In the face of many economic obstacles it gives striking proof of the leadership, vision, engineering ability and financial strength of the electric utility companies. During the first three years of the program the growth of the electric load in all sections of the country pre-empted the new capacity almost as rapidly as it could be added, permitting little and in some instances no gain in the margins of reserve capacity. Throughout this period, however, the private utility companies handled the situation with remarkable ingenuity and resource and, with the exception of a relatively few brief curtailments and some shifting of industrial load to off-peak hours, met the requirements of their customers in full. The fact is that as a whole the customers of the private utility companies fared better during this period than those customers dependent for their service upon governmental power sources. In spite of this the electric industry has been subjected to vicious attacks by interest using the alleged "power shortage" as propaganda to bolster their designs on the Federal Treasury, has been faced with misinformation released by public power advocates, and has even been accused of failing to provide the requirements of one of our major industries interested in a continued supply of subsidized power. These attacks have been met by temperate, factual statements on behalf of the electric industry, which has chosen to concentrate its efforts on the job at hand rather than on useless controversy. In the light of present-day conditions the statements of our critics are even more untenable than at the time when they were made.

We can now say with confidence that the reserve margins of the industry will continue to build up more rapidly than was originally contemplated and that no section of the country except possibly the Pacific Northwest, will be handicapped by a lack of capacity during the coming Winter. In most areas normal reserve margins will be restored by the end of this year rather than at the end of 1951 as originally scheduled. This situation is the result of two principal factors operating in favor of increased reserves. These are, first, a speeding up of the delivery and installation of new generating units, and second, a marked decrease in the rate of growth of electric loads throughout the country, particularly since the first of the year. Under these circumstances the back of the "power shortage" threat has been broken and the industry can go forward with renewed faith in its ability to meet any conditions which can be foreseen at this time.

I cannot leave this subject without paying tribute to the skill and perseverance of our operating personnel who have seen us through the difficulties of the past several years. Their performance in marshalling and coordinating the power resources at their command stands even higher than the record which they established during the war when this industry, through long range planning and foresight, met all essential war demands. Had the industry failed in either instance we would have made the headlines as never before. By contrast, the excellence of our actual performance was generally unrecognized because we did only what the public had learned to expect and, therefore, created little front page news. I am tempted, however, to refer to press reports of a statement by the Secretary of the Interior who, in February, 1949, estimated that all electric utilities were working at capacity with the barest possible reserve for emergency, and who is quoted as having remarked, "I don't know how they do it."

The Question of Higher Earnings

As against the conditions outlined by Secretary Krug, the picture today is so materially improved that many electric utilities see an immediate need for the resumption of intensive sales effort. This need, of course, is directly related to the increased revenues required to provide earnings which will attract the new capital involved in the industry's $9 billion expansion program. We have now passed the halfway point in this program, the financing of which raised grave doubts initially in the minds of many people. The record to date, however, has been most gratifying and the favorable market reaction to recent utility common stock offerings is particularly encouraging. This is the result not only of the improved earnings position of the industry, but also of the ingenious methods developed by utility managements in marketing their new security issues. In view of the continuing need for additional capital, it is significant to note that the large life insurance companies have recently come back into the market for utility preferred stocks. The more difficult half of the industry's financing program still lies ahead in that it involves a higher proportion of common stock financing than has been accomplished to date. Under the circumstances the net income showing and dividend record of the utilities will play an increasingly important part in their future financing problems.

In this connection it is noteworthy that regulatory commissions are giving increasing recognition to the fact that adequate earnings are essential to the attraction of new capital and in many instances have granted rate increases based on the additional earnings necessary to cover the capital requirements of the business, rather than on a theoretical return based on a hypothetical rate base. Such consideration of the current rate problem is obviously in the public interest in that it assures our customers that the new facilities needed to meet their future power requirements can be readily financed. Inasmuch as a comprehensive review of the rate situation will be presented at the Wednesday afternoon session of this Convention under the auspices of the Rate Research Committee, I will omit any detailed reference to rate matters. I do, however, wish to repeat and re-emphasize a statement which I made at the recent EEI Sales Executive Conference in Chicago, particularly because the statement was unfortunately misquoted in one section of the press. My statement was as follows:

"Two things stand out, I think, in our current experience with the rate problem—first, that the increases requested have been modest in amount although generally speaking constructive in form and second, that we are now and probably will continue for some time to be out of phase with the decline in the general price level. This implies that requests for rate increases should be filed promptly and pursued vigorously lest we 'miss the market' and lose public understanding. In addition, every effort should be made to relate such increases to future capital requirements which in view of the heavy construction program of the next few years cannot help but weight our overall costs with an increasing proportion of high investment costs. All other things being equal and assuming that we have reached a relatively stable price level, our average unit investment cost must inevitably rise as our total investment becomes more and more saturated with high cost plant. This, in my opinion, presents the great challenge of the day to the electric industry.

"We know, of course, that 'all other things being equal' is an unrealistic assumption as to this industry. We know that our engineers and research organizations will continue to improve equipment design to produce lower unit costs of generating, transmission and distribution facilities and that new methods will continuously be developed, as they have been in the past, to reduce operating costs in all departments of our business. This is our public duty and I feel strongly that every utility

(Continued on page 32)

Progress and Problems of Electric Utilities

(Continued from page 31)

management, particularly at this time, should review its operation in detail and conduct a militant campaign to eliminate unnecessary activities, reduce operating costs and increase the productivity of its organization. I feel that the public should know that the industry is making a determined effort to limit rate increases to the amounts absolutely necessary for the maintenance of sound financial structures, after all other means to that end have been exhausted."

So much for my Chicago statement.

I am confident that utility managements are giving careful consideration to this aspect of the rate problem and will continue to recognize the public interest in the adjustment of their rate schedules to their new capital structures.

Expanding Electricity Sales

Another important element in offsetting increased investment cost is the attachment of new business. Nothwithstanding the effect of rate increase, the industry will ultimately need an increased volume of business to support its large new investment. I have already indicated that many companies are now in a reserve position which justifies the resumption of active selling and it is merely a question of time before the entire industry will again be engaged in aggressive sales effort. In view of the changed economics of our business, it seems apparent that future sales programs must give special attention to maintenance and improvement of load factor. In this regard our sales organizations have a greater opportunity than ever before to do a constructive job and by selective selling to make an important contribution to the overall success of our operations. This effort will involve, in my opinion, a closer coordination with the work of our rate organizations than has previously been achieved and for this reason I have strongly recommended that the Commercial Division General Committtee and the Rate Research Committee of the Institute revive the joint discussions initiated prior to the war but subsequently discontinued. This is of particular importance during the present period of rate adjustment inasmuch as we now have the opportunity to revise our rate structures in the light of new appliances development and new uses of our services—an important example being the field of electric house heating. The ideal form of rate structure should permit our customers to make any use of electric service which they desire so long as they pay a compensatory rate.

The matters which I have reviewed thus far involve engineering, financing, operating and economic questions over which the industry has some measure of control. They are receiving the same broad-gauged, responsible and forward-looking consideration which has been traditional in the electric industry since the earliest days of its operation. Depending upon its own resources, the industry will continue to develop and improve its services and, in any economy based on private enterprise, will continue to meet its public obligations.

Government in Power Field

No review of the current position of the industry would be complete, however, without reference to the increasing activities of of the government in the field of public power. The broad implications of this trend are a threat to the private utility companies as well as to the social and economic structure of the country. As citizens, we are strongly opposed to the use of the taxing power of the government to subsidize its competition with private industry. We recognize that reclamation, irrigation, navigation, flood control and incidental power developments are proper provinces of the Federal Government. We object, however, to the use of Federal funds for the development of power as the primary purpose of such projects and to the sale of the energy produced in direct competition with the electric industry at less than full cost. We object to the construction of duplicate transmission lines to bring subsidized power into areas already being served and to the assumption by the government of responsibility for the full power requirements of certain areas to the exclusion of private industry. These activities of the government were advocated as early as 1923 by the Public Ownership League of America and, together with many other social concepts being imposed on American business and industry, are a menace to the preservation of our democratic principles of government. They are representative of the creeping socialism being witnessed in this country as political considerations continue to subordinate the national interest to sectional and class interests. I am sure that more will be said on this subject in presentations which are to follow.

Beginning sixteen years ago the Federal Government embarked upon a program of power development which, through the use of interest free funds, arbitrary allocations of investment, tax exemptions and other priviliges unavailable to private utilities, has gone forward at an accelerated pace. As a result the position of the electric industry has been under severe attack and some ground has been lost. The private utilities are now generating 80% of the nation's power requirements as against 96% at the beginning of the period and are distributing 85% of the total output as against 94% previously. During the last several years, however, the percentage position of the industry has not changed materially. It is estimated that by the end of 1951 the installed public power capacity will be 14,000,000 kw, while the installed capacity of the private companies will be 61,000,000 kw, or 82½% of the total; further, that at the end of 1960 the public power figure will be 27,000,000 kw and the private power figure 100,000,000 kw, or 79% of the total. These figures are based on the obvious determination of the private power industry as now constituted to retain the ownership and control of its present properties and service areas. If this is a proper measure of the future prospects of the industry, we are fighting for high stakes and may be expected to wage an aggressive and resourceful battle to hold our percentage position and combat further governmental encroachment on our business.

While recognition must be given to the strength of the forces aligned against us, we face the future with many favorable factors operating to our advantage. These factors have to do with the essential character and performance of the industry itself and may be summarized in part as follows: That we are engaged in a growing business providing an essential public service, that we require a comparatively small labor force by comparison with other major industries, that we are meeting the demands for our service, that we have continuously demonstrated our ability to finance the expansion of our business, that we have highly trained, capable personnel imbued with the spirit of service, that we have free interchange of information between the various units of the industry, that we have a well-established reputation for able, progressive leadership not only in the fields of engineering, operation and management, but also in the field of civic and community development, and finally, that we are supplied by the most enterprising, technically competent and resourceful manufacturers in the world.

In the light of these advantages I am convinced that no one of our national industries has within its own structure a finer record of past accomplishment or greater potentialities for future service than the electric power industry. We are aware, however, that outside influences may have a material bearing on the effectiveness of our performance, and we know that the complete nationalization of the power industry is a fundamental precept of socialistic planners. It is important to note that this latter issue has gradually been broadened and brought more fully into the open, so that today it represents not merely the fight of our industry for survival but the fight of all industry and of the American people for the preservation of their democratic principles of government. We are encouraged by the fact that the issue is receiving increasing attention in the press and national magazines of the country, but this alone is not enough to stem the demands of special interests for sectional and class advantage. It is the public duty and Constitutional right of every business organization and of every thinking citizen to promote public understanding of the dangers involved in the course which we are now pursuing. I urge that the electric industry continue and redouble its efforts to bring to the general public a clear understanding of the principles at stake and in particular, a full knowledge of the unsound economics involved in the public power program.

The confused and inconsistent policies of our Federal agencies in the development and administration of public power projects point up the recommendations of Past-President Charles E. Oakes with reference to the national power policy in his address at the 1948 Convention of this Institute. I strongly endorse Mr. Oakes' recommendations and urge that they be re-examined in the light of present-day conditions and subjected to active consideration by the industry. It seems clear to me that as a part of its public duty the industry must courageously set forth the principles which will guide its operations, must state its position with respect to public power and must press for the development of a national policy consistent with the ideals of our democracy.

In summary, I submit that our chances of survival depend not only on the character of our own performance, but also on the public reaction to the drift toward socialistic philosophies. Let us go forward, then, with a firm determination to maintain a record of service which will merit public support and let us have faith that the American people, when aroused to the dangers of socialism, will repudiate the doctrines of its advocates and refuse to surrender their freedom.

In conclusion, I wish to express my deep appreciation of the opportunity to have served you during the past year and to testify to the high standards of performance maintained by the Board of Directors, staff and committees of your Institute in advancing the interests of the electric industry to the benefit of the American public.

Securities Salesman's Corner

By JOHN DUTTON

The approach to today's selling problem lies in the realm of the "other man's worries." This has always been true. If you want to get an interested hearing, if you desire the other fellow's attention and his good-will, talk about the things that interest him. We all have problems but no one is interested in them but ourselves. This leads up to just one thing—the best sales talk you can make today is one developed around the other fellow's investment position.

Today investors are worried. They hold securities that have depreciated in value. They are holding the stocks of many small companies that are on the verge of passing dividends or worse. They are reading the papers; they hear that the market is going down. Unemployment and lower earnings are showing up everywhere. What do you think will happen if you walk in and try and sell them some more securities—they won't be very receptive, and can you blame them?

Then what is the approach? New accounts can be obtained in times like these. The approach is simple. Go in to your man with a plan designed to help him. What are your problems? What securities do you own that are depressed in price—which ones have passed their dividends? Do you have enough reserve for possible buying at a later date? Could you resist a further decline in the market with the securities you own? Is it wise to continue holding the same course that got you into this trouble in the first place? Why not have someone competent and interested in your welfare give you unbiased opinions on the securities that you are holding? Many people make the mistake of living with "false hopes" regarding many securities which they feel may some day come back in price, but in nearly every instance this never happens. When the next period of postwar prosperity comes along and the markets once again begin to reflect confidence, will you have the right investments to take advantage of the situation, or will you once more sit there and watch the parade go by?

Don't you think if you went into new prospects with this approach that they would be interested at least in finding out what they could do to improve their position? Take a case where you might find a retired individual holding nothing but common stocks, and having little else in the way of reserves—what if most of these stocks were fairly good quality, or even high grade—should not such an individual do some selling now and put some of his funds into governments or the savings bank, at least for the time being? Or how about the case of the person who may be heavy in cash, savings accounts and governments? He thinks he is safe. There are many cases like this. Is he safe? Ask yourself whether or not such a position is justified considering the possibilities of extreme inflation once again rearing its head within another year or so? What if you were in the other fellow's place? Would you like to have someone set up a plan for you that was designed to give you maximum protection against inflation and deflation, plus safety of principal, and the best possible return consistent with a sound position? Don't you think if someone came into your office and started to talk about such things as this, that you would be interested in hearing him out—more so than if he had another stock to sell you?

This type of selling takes work. It takes work in the office too. It means that you honestly and sincerely must go out and offer a real service and back it up with a report that has some sense behind it. But one thing is sure, if you can arrange four solid interviews a day, five days a week, on qualified security buyers who now own securities, you are going to pick up a lot of the other fellow's headaches. When you get enough of them you are going to forget your own, because the very fact that you are out helping others to solve their problems you are bound to obtain many lists of holdings. You will automatically find exchanges, switches, and opportunities for improvement. The results will bring sales and business—it cannot fail. These are the times to build a clientele. This is the way to do it—IT IS THE HARD WAY BUT THE RIGHT WAY.

As We See It

(Continued from first page)

one takes into full account all that has taken place in this most remarkable development in national politics, one is likely to become quickly convinced that something very nearly if not fully unprecedented has occurred in the national Capital. It can only be hoped that the "practical politicians" who now dominate the scene in Washington do not feel that they have to yield very much more than the shadow. As to this, of course, time only will tell the full story.

Important

And that story is important. It is important in and of itself, and it is important as a part of a much larger picture. This whole question of labor legislation has become horribly bedeviled with politics. The unions undertook to crucify all those who dared touch the sacred clauses of the Wagner Act. They failed, but they had a good deal to do with the reelection of President Truman, and something at least to do with the election of the present membership of Congress. In the process they—as well as the President—became irrevocably committed to an "outright repeal" of the Taft-Hartley law. The officials of the unions in considerable degree at least risked their jobs on this issue. They, like the other professional politicians, now feel that they have got to "make a showing" of a sort that will not cause them to "lose face"—and, of course, fat salaries. Just what they would really be willing to settle for they themselves only know—and some of them may not be too sure. The situation by which the legislative leaders are faced is somewhat similar. Politics, politics, politics—that is what it has all become now, and in the meaner sense of the term.

But the average man is—or ought to be—more interested in his own hide and in the general welfare of the country than he is in the fate of these other individuals who are busy frying their own fish. His welfare, moreover, is involved not only with pending labor legislation as such but with a much broader labor issue now forming, if it is not already formed, in this country, and which could well be very substantially affected by what the politicans do in Washington.

A New Set of Conditions

Since the end of the war, the unions, with strong backing from Washington, have year after year demanded large concessions of various sorts from employers. Most employers, enjoying large profits and an excellent outlook for further large profits, felt themselves helpless before the combined onslaughts of labor and government. They have had to yield time and again. Now a change has come over this situation. Profits are still good in most industries, but are declining, and the outlook is commonly not regarded as particularly good. At least, the opinion appears to be all but unanimous that for the months ahead the lush days of early postwar easy going are gone with the wind. Some progress here and there doubtless has been made in organizing for better production and in persuading wage earners to put in a better day's work for the greatly enlarged pay they have been getting.

But progress in productivity has not been great—nowhere near as great since 1939 as has the pay of the workers. No one need doubt for a moment that many industries are at this moment looking forward to a situation—if they have not already reached it—in which it will be impossible, to continue full scale operations at present labor costs and offer their wares at prices the public will pay. Curtailments are already being reported from many sides, and have been for a good while past. Men have been and are being laid off. Joblessness is again beginning to show itself.

They Understand, but—

It would appear that labor leaders more or less understand the true inwardness of this situation. At least they readily understand that the now customary demand for a "fourth round" of wage increases in these circumstances might not be the best of tactics. Nonetheless they are certain, of course, as they are always certain, that they must demand large concessions and if by any means possible win large concessions if they are to retain their followings. So they—or many of them—turned to "fringe benefits." That is to say, they are demanding pensions, insurance, medical care and a dozen and one other "benefits" from employers, and are "making their play" on these. Apparently, they think that the rank and file of the people will not understand or fully appreciate the cost of these things, or that they cost real money—now, not in some distant future.

It would be a good thing if the ordinary man, in arriving at his own conclusions about all this, were to forget all about the form of higher pay demanded, and concentrate his attention upon the fact that under existing circumstances the unions are in very real effect demanding a fourth round of wage increases. Whether or not the rank and file of the citizenry will arrive at any such admirable preliminary understanding or realization of what is going on today will depend in very substantial measure upon what is said and done at Washington. If the Administration forces in Congress can—with the help of Mr. Murray and the others—give the impression throughout the land that labor is somehow sui generis and sacrosanct, and accordingly deserving of all that it demands; if, in addition, influential members of the Truman Administration presently begin finding arguments with which to support current demands of labor — if this sort of thing flourishes in Washington during the months immediately ahead it may be impossible to "contain" the unions in 1949, as it was impossible to stop them in the years immediately preceding.

If such proves indeed to be the case, really sound business conditions will be pushed that much further off into the future.

Honorary Degree Given To Charles Allen, Jr.


Charles Allen, Jr.

Charles Allen, Jr., senior partner of the investment firm of Allen & Co., New York City, was awarded the honoary degree of Doctor of Laws by St. Bonaventure College at its 90th Commencement. Mr. Allen is Chairman of the boards of Colorado Fuel and Iron Corp.; Cincinnati, Newport and Covington Railway way Co., and Dixie Traction Co. He is also President of Bayou Interests Co. and a trustee of the Baird Foundation Clinic.

San Fran. Exch. Member

SAN FRANCISCO, CALIF. — The election of John Arthur Misegades to regular membership in the San Francisco Stock Exchange has been announced by Ronald E. Kaehler, President of the Exchange. Mr. Misegades, who acquired the membership by transfer from Sidney P. Kahn, is a general partner in the firm of Sidney P. Kahn & Co.

Points on Successful Salesmanship

(Continued from page 4)

in the world, they will beat a path to your door.

Well, that is just a lot of nonsense. A doctor has the best salesman in the world, pain and discomfort. If someone is in great pain, that is the salesman for the doctor. If somebody is in trouble, that is the salesman for the lawyer. If you have a pain in your tooth and you are suffering, you will make a beeline for your dentist. Don't kid yourself that they haven't any salesmen; they have very wonderful salesmen—pain and trouble.

Now, we get into this question of buyers, types of buyers, and the kind of a selling job we have to do. Down at the New York Sales Executives Club about a couple of months ago, I saw one of the best shows put on that I have even seen, by three of the top companies in America: Philip Morris, I believe was one; Armstrong Cork & Linoleum, and Westinghouse. They divided all purchases into three types, and it is a very important thing to understand that we do deal with different types of people. And by dividing merchandise in to different types, they had these three types of buyers.

The first type of buyer is known as the reflex buyer. That is the buyer who is buying small articles that cost very little, where the cost is not a factor. You see something and you like it, and you pick it up; it is a quarter, 15 cents, 50 cents, a nickel, or whatever it may be, most of your five-and-ten cent stuff, a lot of stuff in the drug store; you are passing through and see it, and you buy it without any particular thought.

For example, I was in a hardware store yesterday and saw that gadget called a "Kegsy," which you put on a beer bottle so that when you pour it out, it is like tap beer instead of bottled beer. You don't waste any time on a transaction like that. You see it and you buy it. That is called reflex buying. Cost is not a factor.

The second type is what they called considered purchases; in other words, articles only bought after consideration, and usually the family is brought into the consideration. In this category are such products as a house, a refrigerator, furniture, an automobile, or anything of that type.

Securities in Class of "Considered Purchases"

Now, securities definitely fall into the class of considered purchases. They are not bought on reflex, because nobody buys them hastily or carelessly, merely by seeing them or hearing about them.

The third class we are not particularly interested in unless you are doing institutional work, but they are described as specified purchases. That is, when institutions and corporations are purchasing materials and services in large quantities, they set forth certain specifications, and then buy on those specifications. You run into that, of course, with insurance companies and banks and other institutions that are buying securities in large blocks.

So in our work generally we have to deal with the one type of buyer, the considered purchaser.

Now, I had the misconception when I came here tonight that this class, for some reason or other, was solely on salesmanship as applied to securities, and that mutual funds or any particular security was taboo. But I found I was wrong about that, so I may from time to time give you a word or two about the mutual fund business.

One thing that is true of our trust share business today, is that salesmanship is the bottleneck. We have a business that has developed to the point today where the mutual insurance company was 30 years ago and the mutual savings bank was 50 years ago. And the reason I like to refer to our business as the mutual fund business is because the public has gotten accustomed to mutual savings banks and to mutual insurance companies. We are just in the process of forming a Mutual Fund Institute, the same as the Life Insurance Institute, where our sponsor companies can work together so that we will have clean and cooperative competition and combine our efforts in advertising and publicity to build up the whole industry. We are going to use the term mutual funds for that reason.

The name investment trusts is anathema in certain parts of the country. Investment trusts came out before the Securities Act of 1933 and before the Investment Company Act of 1940, and a great many people had an unsatisfactory experience with what they called investment trusts, because they were inadequately controlled. Many of them were used, as you know, as blind pools. So, in most parts of the country you will have a little better luck referring to them as mutual funds instead of investment trusts.

Murdering the Free Enterprise System

Now, as this question of salesmanship in the free enterprise system comes into the title of this talk tonight, I would like to say one or two things about it very briefly. In my estimation the free enterprise system is being maliciously murdered. In fact, the New Deal has been destroying the most cherished possession that America has and that is the free enterprise, or the incentive, or reward system.

Human beings, as we will find out a little later, are just animals, a very high type of animal. And like all other animals, we do things better when we are rewarded than when we are punished. If we go back to the founding of America, when our forefathers came over here, we find that they left every country under the shining sun to come to America because there was opportunity and freedom here. They left their homes and loved ones and security and came here to hack homes out of the wilderness and fight the Indians. They were pioneers, and they went through the most unbelievable hardships because there was opportunity and there was a reward, there was incentive to come here and start new businesses.

When I was a kid in Scotland, I remember older people would leave and go to America and write back about the money they were making, about the wonderful country it was, that they were saving money, more money than they were able to make before in a year. And so it was the incentive, the opportunity to make money and get ahead and own property, that appealed to the people in the old country.

You know, we talk about the American. The American is Polish, Russian, German, French, Swedish, Swiss, Scottish, English, Irish; we are a mixture of all the fine, virile blood that left these old countries. Because it was only the strong and brave, only those who had sufficient guts, if I may say so, that left the security of their own country to come out here and fight and work and make good. And I hate to see the transition towards social security, and by that I mean seeking security instead of looking for opportunity. Certainly, in our sales work there is no place for the fellow looking for security; we are in the business of getting business, of pioneering, of extending our lines, and if a salesman doesn't feel that way, he won't be successful. So the free enterprise system is unalterably tied up with the incentive system or rewark system, and salesmen are on the firing line.

I saw some figures recently that you probably all have, and I think some of these dreamy planners in Washington should look at them, because this wonderful reward system of ours that has worked so well has given us these results: we have 7% of the world's population, and we have 77% of the world's autos; 75% of the world's silk; 60% of the world's rubber; we consume 50% of the world's coffee; we have 50% of the world's telephones; 60% of the world's insurance; 33% of the world's railroad mileage and 33% of the improved highways. Now, free enterprise has given us these things, and it satisfies our desire to make money and buy things for ourselves and our loved ones. It is all part of the free enterprise or incentive system, so let's keep it that way.

Salesman Needs Reward

In the sales game, if we don't have the desire for reward, to make money, we just can't be successful salesmen. I don't mean that the salesman who figures up his commission ahead is going to be successful, because he won't. Commissions are a result and not a cause. You get commissions as a result of having done a good job. But if you figure on making some money if you turn a certain deal with a client, then you will be doing the thing Lester Spitzer warned against: you will be trying to make a sale in order to make some money instead of concluding a transaction in order to benefit the customer.

Now, I have some notes here about working methods and rules of salesmanship, and I want to say again that there is nothing new. I believe you have heard every one of these ideas before. But reiteration may help to prove that they are necessary. I believe the radio people have found that they have to mention the name of the product seven times before they are sure that the message gets over. Once isn't enough, and twice isn't enough; they have made a great many tests, and seven seems to be the magic figure. So that reiteration is very important.

Salesmanship Is Personal Service

Now, fellows, we are in what is known as a personal service business. We are not selling merchandise; we are like a doctor or a lawyer; we are dealing with people's personal lives. And if you don't think that you are, find out what happens to some families when they lose their money through bad investment, because they got the wrong advice, or somebody chiselled them, or something went wrong along the line. We have a very great obligation and responsibility to our clients, to try to help them to keep their money and get a good return. It is a personal service business and we will do it best if we follow the Golden Rule.

Now, there is nothing religious about my suggestion of using the Golden Rule; it is simply hard-headed, common sense business. The better you do for your clients, the more clients you will have. There still is a theory among some of the old-timers in the investment business that you should control a certain amount of money, so many accounts, and you churn them; you have to turn them over so many times a year and you make so much in commissions every time you churn the account.

Well, I didn't have any real college education. I think it was Churchill that said something similar to that, not that I want to consider myself in his elevated category, although I was born on the same day that he was. But he said that he picked up his education as he went along, and I had to do the same thing. But I learned a little about physics, and I believe there is a law of physics that says that there is no movement without friction and there is no friction without wear. So if you churn your customer's money often enough, you are going to wear it out sure as hell.

Steps in Selling

Now, everybody that has talked about salesmanship here talked about the various steps necessary to make a sale, and some of them described them in the form of steps. There are just four steps in selling. I found that out 30 years ago and I have been trying to improve on it ever since, but I can't. It is just four steps, no more and no less.

The first step is "Attention," the second step is "Interest," the third step is "Desire," and the fourth step is "Action," and there is your sale.

Now, there isn't any other way to get results. Before you can make a sale of anything, you must get attention, then you have to create interest, after you get their interest you have to build up desire, and after desire is created—and only when desire is created—you can get action. You can apply that to a girl, or anything you like, but that is the way to do it. You might go through the four steps.

One of the best explanations I think I ever heard of this was by a man who used to be in the safe business, selling these safes with the dials on them, which you have to turn. You know, you have to turn the dial first to one point and then back to another point, and left to another point, and then to a final point and the safe opens. You do it any other way and what happens? The safe doesn't open.

It is the same way with sales. If you get too anxious and try to jump from attention to desire, or from interest to action, you may jump but you don't get the sale. You have to go through the four steps, Attention, Interest, Desire and Action, before you are going to get the business. A forced sale is a bad one.

There are likewise mathematics to selling. And you have heard of them I am sure from everybody who has talked to you.

The mathematics of success in salesmanship are simply: Calls, plus Knowledge, plus Ability, equals Results. Now, you can increase your percentage of results by increasing any or all of these particular factors. You can increase the number of calls that you make, and without increasing your knowledge or without increasing your ability, you get more results. Or you can make the same number of calls and increase your ability and knowledge, and you will get better results. Or you can make the same number of calls and have the same amount of knowledge, and increase your ability, and you will get more results.

So a salesman always has to be trying to increase his ability or his efforts in order to get more results. And, of course, in times when business is quiet and things are tough, that is the time that you really have to increase your efforts in order to get better results.

A Few "Don'ts"

I have down here a few "Dont's"; there are always a few of those things in selling. One is "Don't oversell." I have been far too many investors frightened by promises of profits when they don't believe there is going to be any, or promises of too high a yield. There are more people who get frightened by an 8% yield than there are people who are sold by it.

And there are some salesmen who seem to think they always have to borrow a little bit on hope. If a security is yielding 6%, they talk about 6½ and hope that it will be delivered. If they would only say 5½ and the fellow got 6, he would think you were wonderful and knew your business. But if you say 6½ and he only gets 6, you are an SOB, the kind Truman was talking about and not Drew Pearson.

Another "Don't" is "Don't over-diversify." In our mutual fund business we hear much about diversification. But there is such a thing as over-diversification, and all it does is confuse people. I believe that you should never offer a prospect or discuss with him too many things at one time, so that you give him an opportunity to say, "Well, I will think it over" because you have given him something to decide; you have asked him to make a decision and he cannot do that until he considers the circumstances of each possibility.

Now, in individual securities, you must diversify, of course, because of the risk in individual companies and their issues. In the mutual fund business, you have diversification. I remember not so long ago talking in my office with a dealer from the West Coast. He had used three of our funds in one of these monthly income programs, the total number of securities in that program was 185. I counted them up for him. He said, "You know, I think I'll have to put into a little such-and-such a found in order to give this fellow more diversification."

And I pointed out to him that this fellow had diversification of 185 securities. I know a millionaire in New York City that hasn't more than 10 or 12 securities. He is a director and officer of one of the great blue-chip companies and he believes in picking a few good issues and watching them. In the estates in some of the big trust companies you might find they run anywhere from 25 to even 100 issues, but I don't think you would find anybody who would say that 185 securities was not ample diversification. It is plenty diversification.

The moment you offer too many things you confuse the buyer, you are giving him an opportunity to put off buying. So my advice is to stick to as few funds or issues as you can. And when you are making a sale to somebody, offer them one thing, either one security, one fund, or one program. For example, one fund is enough to offer at one time. Or one program, consisting of three funds that pays monthly income. One program or one fund is enough to offer, because you are going to try to *sell it to him*, and you can't *sell* anybody four or five things. You only confuse them; you give them the problem of making a decision. So don't over-diversify in any single presentation.

If you want to diversify, of course you can do it at a later date, but you always have the problem with funds of making the fellow think. "You say I ought to diversify managements; I thought these managements are all good." Now, it may be a good course to follow; I am not denying that. But I am simply saying that you throw doubt in his mind about managements and they are all good. I don't care whether somebody has one of our competitor's funds and you suggest that he ought to have some of ours, he is going to think, "What is wrong with this one you sold me"? That

is bound to come up in his mind. So beware of the danger of over-diversification.

Don't Waste Time on General or Controversial Subjects

Another "Don't" is "Don't waste time on general or controversial subjects." We obtain a certain amount of the prospect's time, and it is usually valuable, and sometimes we take up too much of that time in talking about generalities or things that are controversial, and all we do is waste time and don't get results. It is very necessary to try and keep on the subject and work steadily towards your sale.

Another good idea is to plan for repeat business in your initial presentation. When you are suggesting that the prospect buy something, make it a part of a program, so that the next time you go to him you are going to work along the same line, and either extend the program or enlarge it. For instance, on these monthly income programs, if you start somebody in a certain three-series or three funds, make sure that the three are well suited to his needs and then he can subsequently put more money in the same three and increase the dividends each month. But if you start to over-diversify with another three, you simply complicate the picture and instead of them getting one check a month, they are getting two checks a month, and at the end of the year, instead of having to make out income tax returns on a simple program, they have double the amount of work.

I met a poor woman in San Francisco about three years ago who complained that a certain dealer in town had just mixed up her affairs terribly; he had sold her about 10 different funds and her tax job was very complicated. That is something to watch. It is unintelligent to over-diversify.

Does Merchandising Pay?

On this matter of merchandising securities that we hear so much about today, here are just a few things I picked up, and I think they are worth quoting. First of all, here is an article that was in the "Dealers Digest," "Does Merchandising Pay?" In other words, does work count? I am going to read this to you, because I think it is typical of the kinds of experience that Lester Spitzer was talking about:

"Leslie Gould, in the New York 'Journal American,' several weeks ago published a letter from a partner in a NYSE firm who, a believer in merchandising, experimented recently by taking the afternoon off and going uptown just to see how the public is being solicited by the stock salesmen. At random, this man called on businessmen, perfect strangers to him, a delicatessen owner, an oculist, a real estate firm, a night-club owner, the proprietor of a men's store, a custom tailor, and so forth. Practically none of these men had ever had a security salesman call to see him. 'When I pointed out to him,' said the author of the letter in reporting on his call to the men's store, 'that General Motors was selling to yield about 9%, he expressed amazement and told me that the rest of the executives in the store, he was sure, hadn't seen a stock salesman either. He is opening an account with me.' Summary of the afternoon's work: time consumed, 2 hours; calls made, 8; accounts opened, 2."

Now, that is typical of the necessity of making calls, rather than telephone calls or sending out letters, or putting in ads and hoping.

I went to a cocktail party about six months ago and did something of the same thing. This was a party given by one of the executives of the Standard Oil Company, and there were about 140 guests. I knew a great many of them because I have lived in Elizabeth, New Jersey, for 25 years. And almost every one that I talked to I asked "How long is it since you have seen somebody from an investment house that came to your office and solicited your business?" And one man's answer was typical. He said, "Hell, Douglas, I haven't seen a security salesman since before the war."

And I said, "Do you mean to tell me that nobody ever comes in and asks you to buy some securities?" and he said "No."

I said, "What do you do with your money?" And he said, "Oh, I buy Standard Oil stock usually, or something else."

I asked him, "Would you buy something else if you were solicited?" and he said, "I guess so."

That was more or less typical. There wasn't a single person that I called on who had had a security salesman come and see him for ages. Now, we sit around trying to think up bright ideas of getting to people. Well, I think the most direct method is to go and call on them, just as this partner did.

Here is one I cut out of the "Dealers Digest," and I am going to read just a small part of it:

"Three years ago, a GI graduated from one of the IBA investment banking courses. Prior to the war, he'd been a bank clerk. He got a job selling with an investment house. He was given only a handful of leads. He had no rich friends or relatives.

"Month after month, consistently, he has grossed between five and six thousand dollars. He has done business with more than one thousand people in three years. He has been selling general market securities as well as mutual fund shares. Here is his complete formula:

"(1) He is the first one to arrive in the morning and last to leave.

"(2) He used the telephone book exclusively for leads.

"(3) When customers ask, 'What's the market doing on that stock you sold me last month?' he blithely replies, 'It's down like the rest of the market' and goes right on with his story. Sure he has brass, but neither is he a jellyfish and his customers like it."

Here is another one. This is the end of a talk that was given out in Denver by a sales executive:

"Obviously, a salesman who is well trained, who knows the principles of salesmanship, who will practice scientific methods in his work will outsell the man who uses rule-of-thumb methods. But the best of salesmen will fail unless he links up his skill with that solvent of all selling problems, the good old-fashioned work I am recommending here.

"If I were to narrow down the rule for investment selling success in 1949 to one simple rule, my rule would be this: Between nine in the morning and five in the evening of every day of the week, either be in the presence of a prospect explaining your investments, or on the way to see a prospect.

"That one rule will handle any problems 1949 can throw in the way of an investment salesman."

No Substitute for Work

Now, it just brings up this possibly unpleasant fact, that there isn't any better way to be successful but work. And if you work, you will get the business.

I have an item here on closing the sale, when to close it. I have known a great many of what they call one-call salesmen, salesmen that won't make any more than one call; they kill it or cure it. Well, they save a lot of time. I think you should get your sale as fast as you can, whether it is the first call, the second call, the third or fourth; I wouldn't go much beyond that unless you are really making a customer. I think the faster you try to close a sale, the better.

Sales success is all a question of work and ability. Somebody says, "Luck." Yes, I grant you there is a great deal of luck, and here is the way you spell luck, "W-o-r-k."

Now, there is one other thing I would like to cover before I am tossed out of here, and that is this question of *why* people buy things. We spend so much time selling, and I think we often miss the point of why people buy. Everybody who buys something buys it to satisfy a desire, a human desire, to whet a human appetite. All of our appetites come from our instincts, because we are animals.

I think it was Philip Wiley who said that all men are beasts with the illusion of a soul. Well, I wouldn't go that far, but we know we are a higher form of animal, and certainly we have the same instincts as other animals. People buy things in order to satisfy a desire. Our desires and appetites all come from instincts, and we only have a few of them. For example, we have to eat. The good Lord who made us, for some reason or other made eating necessary, and to make sure that we did eat, He made eating a pleasurable occupation. And so that the human race might be continued, we have this thing called love, a very pleasurable appetite to satisfy.

So it is with our other various appetites and instincts. They are there because they are natural and people want to satisfy them. Desire for information comes from our instinct of curiosity. And we have the instinct of pride, the pride of possession. Then we have the instinct of acquisition, which is to gain. And the instinct of self-protection or self-preservation.

And people buy securities, either to satisfy the instinct of acquisition, or to satisfy the instinct of self-preservation of themselves and their loved ones. And that is why at times like the present, many people are cautious and fearful. Then the only intelligent thing to do is to appeal to that frame of mind. Your insurance salesman goes out and sells millions and billions of dollars worth of life insurance and annuities when people are frightened. Your government sells low interest bearings bonds by the hundreds of millions because people are scared.

So you have to sell people whatever it is that they happen to want at that time, because one of their instincts, one of their appetites, has been stimulated. Therefore, if you want to make a sale, stimulate the proper appetite, make somebody have a longing, a desire, then show them how that desire can be satisfied; that, my friends, is salesmanship.

Why and What People Buy

Now, sometimes we wonder why it is that people want different types of things. We have been asked many times, "Why do you have so many funds?" Well, I might ask you, "Why are there so many kinds of ties and hats and automobiles?" People buy things that satisfy a combination of their *needs* and *preferences*. And the corporation or the individual that can satisfy the needs and preferences of a lot of people will make the most money. That is why Ford and General Electric and General Motors and Woolworth, and all the others, try to meet the desires of people with diversified products.

Remember this, that our needs are established. We have these needs, because of some circumstance or circumstances over which we have no control; but our preferences are personal. Take clothing, for example. We need clothing to keep us warm. The climate dictates the kind of clothing we need; decency dictates that we have to have clothing, and if decency isn't enough,

(Continued on page 36)

Points on Salesmanship

(Continued from page 35)

the law steps in and says you must wear clothing.

So we know we must have clothing. But do we shop for clothing? Certainly not. We shop for a kind of clothing; we shop for clothing to satisfy our own personal preferences. So people buy things because they fulfill a need, but they buy a particular thing because it satisfies a personal preference. And that is why you have to have different types of things available for the preferences of different people.

Look around this room. We all have suits on and I will guarantee that you will not find two suits in this room from the same bolt of cloth. Look at your ties and you will find every kind of color and material you can dream of. And it is the same with your shirts, your socks, your shoes, all different, eye glasses, furniture, homes, cars, women. Everything we select is different, to satisfy personal preferences.

That is why, if you are going to be in a certain type of business, you want to have things that satisfy people's preferences as well as their needs.

The man who has bought the largest amount of our Oil Shares was a President of an Oil Company. And you may say, "Why would a man like that buy oil shares?" Well, the dealer tried to sell him everything else under the sun, but he didn't want this, and he didn't want that, and he didn't want the next thing. He said, "I am an oil man, and if you cut any oil man's veins, no blood will come out, but oil." So the dealer said, "Look at these National oil shares" and showed him the portfolio, and he has bought three times.

Thus needs and preferences are both very important to what we accomplish in selling. When you offer somebody something, and they don't want to buy the thing you are trying to sell them, they may indicate a preference for something else. Your job is to satisfy the preference, but satisfy it with good merchandise instead of trying to convince him that he should buy what you like. He could be right.

It is just like if you go in a store to buy a blue suit and they haven't got the size and try to sell you a brown suit. The more they try to sell you the brown suit, the madder you will probably get, if you have any strength of mind, and eventually you will walk out. It is necessary to have different types of securities, just as it necessary to have different types of clothing, automobiles and everything else.

There are just one or two other things that I would like to cover briefly before stopping.

Find Out What People Want

One is, for Heaven's sake, don't sell *things*, but sell what they do for people. Don't sell securities, don't sell statistics, don't sell historical information, but sell what the security will do for somebody. What do people want? What do these instincts, desires, appetites, want? They want financial security, they want a home, they want to take a trip, they want to build a house, they want to retire. They've got some human desire and they need money to fulfill it.

Listen to your government bond campaigns. Do they ever tell you about the balance sheet of the government? Have you ever seen prospectuses on a government bond? Would they have footnotes telling you what the Hoover Commission recommended? Or about some of the horrible examples of boon-doggling with taxpayers' money? A prospectus on government bonds, do you think it would ever sell anybody if they read it? Of course not, it would be hopelessly involved and confusing and full of sales-killing facts.

The sales talk is to buy a government bond for financial security, to retire on, to buy a home or educate the kids. It is what these things will *do for you, not what they are*, that counts. They never sell an automobile because the carburetor is a certain size or shape. Automobiles are sold because of their speed, their comfort, their beauty, for the pride of ownership. The guy sits down in the seat and it is comfortable and he presses his foot down on this little dingus on the floor and, bingo, off we go; it is great, and you are sold. Have you ever heard of a factory engineer selling an automobile? Very often, when they send the salesmen to the factory and bring them back to the salesroom, they have to reeducate them all over again so that they will forget most of the technical stuff they learned at the factory.

Don't misunderstand me. Have knowledge, but don't try to impress your prospect with your technical knowledge. When you sell securities, sell what your securities will do for your prospect, and not how it is done. Few people are interested in how things are done, but they are interested in what they will get out of them. It is the Narcissus in us. You may not like that, but I read this the other day.

"We must always remember in selling that we should take about the prospect, what the article or service will do for him, how it will give him more pleasure, happiness, protection, and so forth, and be careful not to talk about our own ideas too much or why the article or service is attractive to us. In this respect there is a certain amount of the Narcissus in all of us. You will recall that in Greek mythology Narcissus was insensible to love and Nemesis caused him to fall in love with his own image reflected in the water.

"Because he was unable to grasp the image, he pined away and became the flower. An outstanding business psychologist has estimated that the average man spends about four hours a day thinking about himself, his affairs, his family, his belongings, and so forth. Therefore, it is easy to understand why it is good salesmanship to discuss your product or services in terms of what they will do for the buyer."

Keep Inspired and Enthusiastic

Now, in closing, there is just one more thing I would like to touch upon, and that is ourselves, the necessity for us to keep inspired and enthusiastic, to "soup up" the motor so that we are at top efficiency all the time. You have heard about these chaps who take an old car and soup it up; they get it in such wonderful condition that it could pass anything on the road. We have to do that with ourselves, we have to keep our enthusiasm and our inspiration at boiling point.

And it isn't easy. Because as we go out day after day seeing all these people, they usually take the negative viewpoint they are always drawing on our battery, always pulling us down. There isn't a salesman alive that doesn't get down at times, so that he needs a little enthusiasm and a little inspiration.

We have to keep enthusiastic. You can't be a cynic and a salesman. Just write that in your hat; *you can't be a cynic and a salesman*. You hear them sitting around the back room, damning this and damning the next thing, and this is wrong and that is wrong, and then they wonder why they can't sell. You just can't do it. You must think constructively. There are limitations to everything. The doctors don't cure everything; we all die. Yet they do a wonderful job.

The automobile business is a wonderful business, but they advertise their weakness; they make a great point of their service stations. And what is a service station? A service station represents the human limitations in the manufacture of automobiles. And they advertise it and boast about it. So don't worry because securities are not perfect. Don't worry if they don't go up all the time or don't pay as much as they did before as you expected. Don't worry about the imperfections because there isn't anything perfect that man has anything to do with. Believe in what you are selling in spite of its shortcomings.

Now, in trying to keep enthusiastic all the time, how do you do it? You have to read a certain amount of inspirational material and hear inspirational talks. You have to keep yourself physically healthy. And if you can't exercise any other way, walk. I once heard a very famous conditioner say that walking is positively the best exercsie there is if you do it to the point of exertion. Lean forward as you walk, so that you are not dragging your body along, but moving your feet under your body. A good fast walk every day will keep you in wonderful condition physically.

If you get down mentally read something inspirational. I bought Dale Carnegie's book, "Stop Worrying and Start Living," and I think that should be at the bedside of every human being. Not because he wrote it, but because he compiled it. It is a compilation of inspirational material, written or said by famous men throughout the ages. You will find in going through your sales career that you need inspiration and enthusiasm and you can get much help from the right books.

One other hint. You know of men who have been investment salesmen all their lives and they haven't got any money themselves and they probably have made plenty. My advice is, *take care of your own financial security*. There is nothing, I think, that does more for any man's well-being than to be financially secure. Take 10% or 20% of what you make and put it in good securities, any mutual fund. All mutual funds are good. And just salt it away, and keep adding to it. And the financial security it will bring you is something that will be worth a great deal to you in peace and satisfaction. Practice what you preach to your clients.

A Strong Utility Industry Under Holding Company Act

(Continued from page 7)

turers of brick and tile, iron fence wood products, paper. There were companies operating farms, quarries, gas stations, parking lots, theatres, amusement parks and even a laundry. There was a cold storage company operating in Alaska, and there was the New Orleans Baseball Co., Inc.

More than a thousand of these miscellaneous non-utility companies have been a part of holding company systems at one time or another during the last 10 years; some seven hundred of them have by this time been dissolved, divested, or otherwise removed from registered systems.

Aside from the non-utility properties, an electric or gas company frequently found itself packaged with many distant cousins. No less than a dozen systems held operating properties in ten or more states; one system spread over 33 states and another over 29. Various rationalizations were produced in times past for the policy which led to the accumulation of such scattered utility properties and so many diverse types of non-utility businesses. "Diversification of risk" and "efficiencies of centralized management" were among the glib justifications advanced for practices which in fact proved to have an exactly opposite effect. Congress recognized this fully; scattered properties and unrelated businesses were therefore outlawed from the new, integrated type of system contemplated by the Act.

Something over 900 utility companies were controlled by holding companies at the time of their registration under the Act. By this time, over six hundred of these have been freed from holding company control. Where have they gone and who owns them now? The answers to these questions are both interesting and revealing, and I should like to examine them briefly.

From June 15, 1938 to April 30 this year, 632 electric and gas companies were eliminated from holding company systems. Of these, 293 were eliminated by merger, dissolution, and certain other less frequently used means. These transactions have been primarily intra-system: that is, assets were reshuffled and were consolidated in fewer companies, but the assets were nevertheless retained within the system. Divestments, which constitute actual disposition of assets by a holding company, have accounted for the remainder of the total eliminations.

Divesting Program

Limiting our attention to the electric companies involved in the divestment program, 210 such companies have been completely severed from holding company systems. An additional 124 electric companies have also been divested by one or more holding companies but remain subject to the Act by reason of their relationship to still another holding company. The majority of these latter companies will continue under the Act as members of integrated systems. I should like to analyze more closely the manner in which the disposition of this entire group of 334 electric companies, with assets of nearly $9 billion has taken place.

In point of size, the largest segment of assets divested is represented by distributions by holding companies to their own security holders. Forty-nine companies with assets of $2.6 billion are no longer subject to the Act as a result of outright distributions of this nature. The full role of distributions has in fact been much larger, for the securities of 95 additinal electric companies, with assets of $2.25 billion, have figured in exchange and distribution plans without, however, ceasing thereby to be subject to the Act.

More than a third of the divested assets have been sold di-

rectly to the public. The common stocks of 49 companies have been sold in this manner and sold, moreover, at prices which represented very little discount from going market rates for comparable seasoned securities. Over the last ten years the public has purchased a total of $3.25 billion of electric securities in connection with the divestment program.

These two types of disposition together account for 90% of electric utility assets divested. The remainder is made up of sales to public authorities, other utilities, and to individuals and non-utility companies.

Sales to other utilities have involved small companies almost exclusively. Forty-eight companies have been purchased in their entirety by other electric companies and 26 have sold a part of their properties to such companies. Aggregate assets of $360 million have been sold in this way, primarily to larger companies able to integrate the smaller company's operations with their own. Integration of operations has been achieved in numerous other instances through mergers and consolidations. The emerging picture is generally something like this: companies large enough to stand on their own feet have usually found their way into the hands of investors, by sale, exchange or distribution. Smaller units have been sold to or merged with larger ones, or have been purchased by public authorities and individuals.

As indicated earlier, somewhat more than two-thirds of the electric and gas subsidiaries of registered holding companies have already been divested. Many of those remaining will also be divested. However, the Act is not, as frequent misconception has it, a completely self-liquidating instrument, but provides for continuing regulation of integrated interstate holding company systems. Among systems which will remain subject to the Act might be mentioned American Gas and Electric Company, Central and South West Corporation, the Southern Company, New England Electric System, Middle South Utilities, and West Penn Electric Company. I would like to look briefly at a few of the systems and point out some of the more striking changes which have been brought about in them during recent years.

Central and South West Corporation, for example, was evolved from the Middle West Corporation System, which in turn had succeeded Middle West Utilities Company. When Middle West Corporation registered under the Holding Company Act in December, 1935, it had just emerged from the bankruptcy proceedings of its predecessor company. Its registration statement indicated that it had 152 subsidiaries, including 62 electric or gas utility companies and fifteen subholding companies. Sixteen of the 152 subisidiaries were themselves in process of reorganization under the Bankruptcy Act, and these in turn controlled an additional 74 of the system companies.

The bankruptcy proceedings cut through much of this corporate jungle, and Middle West itself did a great deal of pruning in pursuance of Section 11 requirements. Many of the smaller properties were sold or merged with other companies in the system. The common stock of large units such as Central Illinois Public Service Company, Kentucky Utilities Company, Public Service Company of Indiana and Wisconsin Power and Light Company was distributed to Middle West's stockholders.

Middle West is now well on the way toward liquidation, leaving behind it a number of well-regarded independent operating companies and the Central and South West system. This new system is limited to four electric utility companies of substantial size. Central and South West itself was formed by merging two sub-holding companies which between them had four outstanding issues of 6% and 7% preferred stock with dividend arrearages totaling about $16,000,000. These shares were retired at the redemption price plus accrued dividends as a result of the merger. As compared with combined common equity of 9.5% prior to the merger, the new system had consolidated common equity equal to 29.5% of total capitalization and surplus. Central and South West has since been subjected to the test of marketing additional common stock and has successfully raised $6.5 million in this way.

New England Electric System provides one of the best examples of corporate simplification and redistribution of voting power. Its predecessor, New England Power Association, was controlled to the extent of 51% by International Hydro Electric System. New England Power in turn controlled five subholding companies. A plan filed under Section 11(b)(2) of the Act set up New England Electric System as a new holding company and its stock was distributed to International and to security holders in all six of the old holding companies. As a result, a single issue of debt and common stock replaced eighteen securities of the old system. The interest of International was reduced to 8% of the voting power; International is subject to an order directing it, among other things, to dispose of its interest in New England Electric.

One of the most striking examples of overall improvement has occurred in the system of Electric Power & Light Corporation, itself a subsidiary of Electric Bond and Share Company. At the end of 1935 Electric Power & Light had 31 subsidiaries, of which 10 were in a "great grandchild" position and one in that of a "great great grandchild." The system had 39 publicly held bond issues and 19 publicly held issues of preferred stock. Dividend arrearages on the subsidiary preferreds amounted to nearly $18 million and reached $23 million by the end of 1938, not to mention the huge arrearages on Electric's own preferreds. So complex was the system financial structure and so burdensome were the publicly held securities that Electric's interest in gross income was only 10.6%. As divestments have occurred, Electric has invested the proceeds in its remaining subsidiaries. In 1948 the system's gross income was nearly 50% greater than in 1935, despite the disposition of over half its subsidiaries. The point of real interest, however, is the fact that Electric's 10.6% equity in the gross income of 1935 had grown to an equity of 68.7% in the gross income of 1948. By reason of this improvement it was possible to set up a soundly capitalized and independent system headed by the new Middle South Utilities, Inc., to control Electric's utility properties in Arkansas, Mississippi and Louisiana.

A substantial proportion of the integration and simplification program — certainly more than half—is now completed. We can now say with assurance that the prophecies of sacrifice prices, forced sales, and other alarms raised before Congress in 1935 and in the early days of the Act have proved groundless. As the Senate Committee which reported on the Act predicted, holding company investors have come out of the reorganization process with far better securities than those with which they went into it. They have obtained securities which represent a down-to-the-rails investment in local operating companies or regulated regional holding companies in substitution for highly-leveraged and speculative holding company securities. These benefits to holding company investors are not merely theoretical; they are supported by the judgment of the market place. The mere announcement by management of the filing of a major Section 11 plan and particularly the actual consummation of such a plan have customarily been followed by a pronounced rise in the market price of most—and sometimes all—of the securities involved in the reorganization.

Electric Companies Are Stronger and Healthier

The last 10 years have, in fact, represented a period in which operating electric companies have become almost incredibly stronger and healthier. More than $1.3 billion of inflationary items have been eliminated from plant accounts; ratios of depreciation reserves to gross property are up 150%; interest coverage has increased from 2.9 times to 4.3 times, and coverage of all fixed charges and preferred dividends is up from 1.9 to 2.7. Arrearages on preferred stocks have been virtually eliminated. While total debt and preferred stock has increased by less than 4%, generating capacity has been increased by 50% and generation is up 150%. I do not wish to minimize the effect of the general economic climate in bringing about this improvement; at the same time I believe it is entirely fair to ascribe a great deal of this financial improvement to the salutary effects of the Holding Company Act.

As I have indicated, Section 11 has gone far to place the industry in a position to finance its expansion soundly. Electric utilities which have been divested and are now independent have demonstrated their ability to command the confidence of the investing public. A holding company with an integrated system can also — and most certainly should—assure its system a strong capital structure. Where the subsidiaries are wholly-owned, with no senior securities in the hands of the public, the holding company may properly issue its own notes or debentures in appropriate amounts. Some $125 million of such securities have been sold since the beginning of 1948 and have been well received by investors.

If the subsidiary companies have themselves issued senior securities to the public, as is usually the case, the task of the holding company is largely confined to providing common stock equity. This is not always an easy task. Until quite recently, a new-money offering of holding company common stock was something known only to history. The response from the investing public, however, has been quite encouraging. The real hurdle, in fact, is not the investor's willingness to purchase holding company stocks; it is, instead, the frequent reluctance of holding companies to offer additional stock for sale. This reluctance does not appear to originate with holding company managements, although there are exceptions. Primarily, it springs from a peculiar species of stockholder group. A few years ago, in particular, the uncertainties of reorganization plus general market factors sometimes resulted in very pessimistic appraisals of holding company securities. This situation encouraged speculative purchases by persons and groups seeking capital gains. These gains were frequently forthcoming, and in many cases were quite substantial. One might suppose that stockholders interested in speculative possibilities would be prone to take their profits and move elsewhere. Some, of course, have done precisely that. There remain, however, substantial stockholder groups who wish to see holding company securities retain a speculative flavor. In order to minimize their own personal income taxes, they prefer to see earnings stay in the business rather than to be paid out as dividends. They are bitterly opposed to increasing or even maintaining the equity base through sales of additional stock. Most of them wish to see senior securities heaped upon the financial structure to increase the leverage inherent in their common stock position. Some of them

(Continued on page 38)

A Strong Utility Industry Under Holding Company Act

(Continued from page 37)

go so far, in fact, as to advocate curtailment of new construction so that new capital issues may be kept to a minimum. In brief, they wish to prevent holding company stocks from achieving genuine investment status—a status based on adequate and stable dividend income rather than upon sharply fluctuating market movements. While these groups ordinarily represent no more than a relatively small minority, they frequently exercise a disproportionate influence upon the financial policies of management.

Needless to say, the SEC will fight this tendency wherever and whenever it appears. The purposes of the Holding Company Act would indeed be poorly served if integrated holding company systems were paintakingly created, after long and difficult effort by managements and the Commission, only to be turned again into topheavy vehicles of speculation. This must not be.

The heavy demand for funds placed upon the industry by its construction program has subjected the philosophy of Section 11 to a concrete test. Fundamentally, the mark of a soundly organized industry is its ability to raised funds, which is in turn the ability to command the confidence of investors. Obviously, an adequate portion of these funds must be in the form of common stock if investor confidence is to be retained over any period of time. Thus far, the industry has met the test. In recent months we have all been encouraged by the increasing flow of equity money. I think it is quite clear that the industry of 10 years ago could not have carried off this huge financial operation. Few holding companies could have raised funds, and most operating companies would have been effectively limited to senior securities, if indeed, they were in a position to market securities of any sort. Through Section 11, scores of individual companies were placed firmly upon their own feet and many holding company systems have been soundly reorganized. Far from becoming saturated during the process of transferring operating company ownership directly to the investing public, the equity market appears to have been both educated and stimulated.

Generally speaking, the industry is to be commended for the soundness of financial structure which it has maintained. There are only a few companies in the entire industry which have shown significant deterioration in capitalization ratios. While debt ratios tended to rise during 1948, they were generally held within bounds and have shown some tendency to level off thus far this year. Retained earnings have played a large part in keeping equity ratios on an approximately even keel; actual sales of common stock, last year and this, have equaled less than 10% of total funds raised for new money purposes. So long as the capital structure does not suffer materially, there is perhaps no reason to view the situation with alarm. Yet I for one would feel more comfortable if common equity were actually increased during periods such as the present when investors are looking very favorably upon utility common stocks. The construction program is not scheduled for completion tomorrow or the day after. Most companies will go to the public for funds once, twice, or several times before even presently scheduled construction is completed. There is certainly no assurance that markets for common stock will continue to be as favorable as has been the case in the recent past. Many companies simply cannot afford to gamble on the future in this respect; there are maxims aplenty demonstrating the folly of taking the long chance, and I leave it to you to supply your favorite characterization.

While the industry as a whole has made an honest effort to keep capitalization ratios on a solid basis, I cannot refrain from commenting briefly upon some exceptions. For example, a few companies have attempted to resort to the lease-back device. In view of the debt structures of most utility companies, the imposition of long-term leases in any substantial amount is inappropriate if not positively dangerous.

One instance of this sort concerns an electric company with a capitalization comprised of 64% debt and 36% common stock. I believe most utility managements would consider such a capital structure to have reached the upper limits of soundness. This management displayed no such inhibitions. Needing new generating capacity, the company arranged to have a station built by a corporation created for the purpose and arranged further for the new plant to be financed entirely by debt. The company then proposed to enter into a leasing arrangement, thereby, in effect, creating prior lien debt in its own structure. Pro forma capitalization ratios: 79% debt, 21% common equity.

The story does not end here, however. Because the transactions would have involved a parent-subsidiary relationship, the company was advised that it would necessitate registration under the Holding Company Act. Thereupon the company apparently gave up its leasing plans and concocted an alternative method devoid of subsidiaries. The company now plans a private issue of mortgage bonds plus a public issue of interim notes. These notes are convertible, after about a year, into common and preferred stock; they are payable at their maturity in 1951 not in cash but in common and preferred stock at the conversion ratio.

It is most encouraging that the great majority of utility companies have taken the longer view and have refused to entertain financing policies such as those just described. You may be assured that the SEC, for its part, will continue to stand for conservative capital structures and can always be counted upon to assist companies subject to its jurisdiction in achieving balanced financial programs. Strong, individual operating companies and compact new holding company systems have emerged as a result of the Section 11 program. The industry has acquired the invaluable confidence of the investing public. If that confidence is fostered by sound financial policy, I feel certain that the days ahead will be the best in the industry's history.

Donald H. Brazier Forms Own Firm in Seattle

SEATTLE, WASH.—Donald H. Brazier has formed Donald H. Brazier & Co., with offices at 1411 Fourth Avenue Building to engage in the securities business. Mr. Brazier was formerly with John R. Lewis, Inc. and Dean Witter & Co.

Weston Adams Co. To Admit

BOSTON, MASS. — Weston W. Adams & Co., 55 Kilby Street, members of the New York and Boston Stock Exchanges, will admit Nancy Adams to limited partnership, effective July 1.

They Who Will Not See

(Continued from page 3)

ing plaintiff's obligation under said underwriting contract * * *."

Otis & Co. asked **"That the Court declare that the judgment of this Court of Oct. 28, 1948, is binding as *res adjudicata* on the defendant Commission and that it is without power to conduct the proposed inquiry into the alleged instigation of the Masterson suit."**

The District Court dismissed this complaint on motion of the Commission upon the alleged grounds that the court lacked jurisdiction over the subject matter and that the complaint failed to state a claim against the defendant upon which relief could be granted.

Then followed the appeal to the United States Court of Appeals resulting in the opinion per Judge Miller which reversed the Court below.

The Appellate Court, in declaring that the determining factor in the case was the doctrine of *res adjudicata*, defined that doctrine by stating generally that a right, question, or fact which is a ground of recovery and which was distinctly put in issue and directly determined by a court of competent jurisdiction cannot be disputed in a subsequent suit between the same parties or their privies. Judge Miller then went on to say "Under the doctrine of *res adjudicata*, it must therefore be regarded as established, as between Otis and the Securities and Exchange Commission, that the evidence gathered by the Commission in its public investigation did not and does not amount to a *prima facie* showing that either Eaton or Otis fraudulently caused the Masterson suit to be filed."

The Appellate Court proceeded to hold that the District Court was fully authorized in this case to enjoin the proceeding proposed by the Commission in order to protect its own jurisdiction and to prevent its previous judgment from being involved.

In behalf of the full bench Judge Miller goes on to deride the SEC claim that the Court finding of the lack of *prima facie* evidence of fraud does not foreclose a subsequent administrative determination that the same evidence in fact shows fraud. In his decision, Judge Miller noted as follows:

"In other words, the appellee (SEC) asserts that 'substantial evidence' under the rule of administrative finality may be less than prima facie evidence; and that the proof already gathered in its public investigation, though judicially branded as not a prima facie showing of fraud, may still be regarded by it as substantial enough to sustain a finding of fraud which may not be reviewed.

"This is novel doctrine which, in our view, is dangerous in its application and implications. Prima facie evidence is a minimum quantity. It is that which is enough to raise a presumption of fact; or, again, it is that which is sufficient, when unrebutted, to establish the fact. If an administrative finding is immune from judicial review when supported only by evidence which is insufficient even to raise a presumption that the fact exists, then the word 'substantial' with respect to evidence means much less than we have heretofore supposed. To be substantial enough to support a nonreviewable finding of fact, evidence ought at least be enough to give rise to a presumption that the fact exists. Otherwise unbridled power to make irresponsible and unreviewable findings would be given to administrative agencies—a consummation we are unable to conceive of as a legislative purpose.

"Evidence which is too weak, even when unrebutted, to establish the fact in question should never be considered substantial in the sense that an administrative finding based upon it is immune from judicial review. We reject the appellee's theory that the evidence accumulated during its public investigation may be substantial enough to support an unreviewable finding even though it has been judicially held not to amount to *prima facie* proof. To be substantial, evidence must be strong enough to raise a presumption of fact and must be sufficient, when undenied, to establish the fact. We conclude that 'substantial evidence' under the rule of administrative finality does not mean something less than *prima facie* evidence. If this were not true, a commission such as the appellee could make an unreviewable finding of fact from a record so weak that it would not cause a reasonable mind even to presume the existence of the fact. This shocking proposition is condemned by its mere statement."

To the Investment Banking Fraternity the above quotation constitutes a most important and significant precedent.

Will the Commission and the NASD now say they have had enough, or will they proceed to seek some other methods of circumventing the Court's decisions?

Indeed there are none so blind as those who will not see.

The Outlook—Will It Be Large Corporations or Government Monopoly?

(Continued from page 8)

was tackled in America." At the very least we can be sure that nationalization of all American industry will be much easier of accomplishment once the electric power business has been taken over by the government—so this strikes me as a good place to stand and fight. There are many ways in which that fight can be waged, and you are just as aware of them as I am. First on the list of things to do is to make sure that this industry is ready to expand, finance, and develop new generating capacity where it is needed and wanted. That is our business, not government business, and it coincides with the tradition of this industry, which is a tradition of action.

Last spring, at the Southeastern Electrical Exchange meeting, one of my associates made some predictions which I would like to back up here—that on the basis of your 8 to 9 billion dollar utility expansion program extending over the next five years, total power sales would increase from 240 billion kilowatthours in 1948, to 363 billion in 1955; and also that the latter year would see utility generation of 420 billion kilowatthours, with an increase in required generating capacity of 94 million kilowatts—an increase of 66% over the present. He pointed out that our own faith in this program was represented by a 350-million dollar expansion of our manufacturing facilities, and then he proceeded to lay down a platform first presented to this group a year ago. I would like to repeat it now, if you will bear with me, because it spells out in a little more detail the kind of action best calculated to make a poor prophet out of Mr. Geoffrey Crowther of the "London Economist." Here is that platform in brief:

(1) An aggressive, continuing program of plant expansion, in which the industry should point towards doubling and tripling its capacity.

(2) A vigorous public relations program—the kind in which you do your lobbying where it counts, with the people in your home town.

(3) A fight for sound financial results. To get the billion dollars a year in new private capital which the industry needs, your rates must be right and your earnings must be attractive, because this is about 15% of the total new capital needed by all industry. This is a reasonable fight because of the demonstrable fact that the kilowatthour is still by all odds the best buy for the money that any consumer can get.

(4) Maintain the tradition of this industry by recruiting the best young talent you can get for business. Pick the new pioneers carefully.

(5) Sell electric power aggressively, with all that such a program means. You may recall that an early goal of one of our own programs was a national average of 6 kilowatthours per manhour by 1950—and that average is already 5.7. Let's increase the objective.

(6) Finally — keep your sights high, because that has always been the pattern in this business. Only a government economist sees a ceiling when he looks up.

The Change in the Business Picture

We have just remarked that there has been a sharp change in the business picture. You have undoubtedly taken your own look, and made your own estimates of what has been happening to industrial production generally, and to that of the electrical industry in particular, and you may, therefore, be interested in a brief note on the situation as it appears to us now, from our particular platform. It seems reasonable that the decline in industry production, now well under way, may continue until about the second quarter of 1950, when production is expected to turn up. On the basis of what has happened in other periods of declining business—the only guide we have—production may again reach the high level of 1948 by the end of 1951. There would appear to be about three reasons why we may not expect a more drastic decline in total industrial production—of something over 10% (from the fourth quarter of 1948 to the fourth quarter of 1949) or about 15% in total through the second quarter of 1950:

First, we lack the great speculative excesses in such areas of the economy as inventories and the stock market which featured 1920, 1929, and 1937 setbacks.

Second, adjustments in the form of curtailed production, reduced prices, and inventory control are already well along in some industries. Such a piecemeal readjustment is less serious in its effects than if it all took place at one time.

Third, the large and increasing volume of government expenditures for security and construction, government support of farm prices, and the anticipated Federal deficit should cushion the decline.

Generally, we feel that many businesses may be starting to live on inventories, and therefore have cut their purchases from suppliers to the bone. This may not continue for many months, however. Such a decline as the one outlined above can be beneficial medicine for industry, forcing it to get more efficient production, lower its prices, and sell aggressively.

In the electrical industry as a whole, we expect that by the end of 1949, as compared with last year, the production of consumers' goods will have been cut by at least 20%, and producers' goods by about 10%. This is an estimate based on the present downward trends in such major appliances as refrigerators, ranges, and washers. Radio receivers are notably down as a direct result of another kind of figure—television receiver sales are booming. Central station business should be greater this year than last, whereas industrial and transportation lines of products are down.

It is apparent that we are now to a substantial degree the victim of our own policies of earned and logical price reductions. I believe that to do as we have been doing in the manufacturing end of our industry—reducing costs through redesign and through the application of more efficient facilities—is proper managerial practice. And it is always good to pass along such reductions to the buying public as they are earned, rather than to be panicked into distress selling. This is, therefore, a sound and realistic policy, but it appears to have had just the kind of effect you might imagine—many potential buyers who have the need and the money and the desire to purchase have become intrigued by these piecemeal price adjustments, and they are waiting to see how much farther the process will go. We have created a "wait for more" attitude in our market, which is also perfectly realistic, and once more the only remedy I know for that is hard selling of good products at a fair price.

In our own case, I know that the falling off in volume buying, particularly in consumer goods, has made some of our products unprofitable at present prices. This is not serious so long as it is not aggravated and prolonged by other factors. One such factor, of course, which would have disastrous effects, would be any increase in wage levels. In their present state of mind, induced by the psychological factor mentioned before, plus the threat of higher taxes and increased government spending, the customers who compose our market will not support further price increases. Therefore the only possible result of increased labor costs at such a time would be to put some real iron in the public's decision not to buy what we have for sale, and that will mean curtailed production and unemployment. The unreal and unsupported unemployment figures which the electrical union has been advancing will then acquire reality—and if they properly represent their membership I cannot believe that they want to produce such a result.

As you know, General Electric fought the various rounds of wage increases as they came along, and up to the point where the establishment of a national pattern by others made conformance necessary for the common good. We fought them because we felt they would produce just the inflationary effects that they immdiately did produce. You might think that to be consistent now we should advocate a reduction in wage rates to properly reflect the downward turn in business. We are not doing that, as a matter of policy. So long as there is a fighting chance for us to overcome the adverse psychology of this market and make our adjustments to decreased demand in terms of lower costs and harder selling, we feel that wages should not be lowered. A little statesmanship on the part of union leadership at this time would help a great deal and benefit everybody. After all, they have done more than well by their "special interests" in the years since the end of the war. They can't go on forever diluting the value of money. I would hate to think that union leadership did not have the moral courage to face its membership with the economic facts of life. If they are ever going to start being economic statesmen, why not now?

Bigness in Business

Because it bears so directly on the immediate problems of this industry in what is frankly a fight for survival, I would like to turn briefly to some considerations of bigness in business. The electric light and power industry is a long way, statistically, from being physically taken over by government, but along with all corporate enterprise, it may actually be a lot closer to that point than it realizes. That is because this is a battle for men's minds which is now going on. On the outcome of that battle, on the convictions that will be implanted in the minds of millions of our fellow citizens, will hinge the ability of this government, or any government, to move physically towards the nationalization of private business.

We have perhaps paid too much attention to what the President says and thinks. He is two-minded about bigness, which does not make for consistency. He has said that he would rather see a thousand insurance companies with assets of $4 million than one company with assets of $4 billion, and that he would rather see a hundred steel companies instead of United States Steel, and a thousand banks in place of one National City Bank. This is pure nostalgia for the horse-and-buggy days of business, plus a fear that while bigness may be economically good, it is socially bad. Yet the President heads a government which runs the largest insurance system in the world—the Social Security Administration; the largest bank in the world—the Reconstruction Finance Corporation; the largest grain-dealer in the world — the Commodity Credit Corporation; the largest merchant ship operation in the world—the Maritime Commission; and the largest business in the world—the United States Government, which collects and spends some $40 billions a year. Apparently he wants to make all of these bigger. The important fact here is not that this is what the President thinks. His two-minedness about economic size is apparently shared by millions of Americans—and that is the real problem. Americans have feared bigness in a business as long as there has been a corporation, but at the sime time they

(Continued on page 40)

The Outlook—Will It Be Large Corporations or Government Monopoly?

(Continued from page 39)

have taken great pride in this same bigness. Their fear and pride, emotionally based, are both logical, and it may be that the fear predominates.

As Harold Fleming, of the "Christian Science Monitor," has pointed out, the virtues and evils of big business up to now have been judged largely by politics or by varying interpretations of the rather vague anti-trust laws, and no one has found time to appraise corporations on the grounds of social or economic long-term values. Judges have to do the best they can, knowing and applying the law, and they have no charter to apply the best economic or social solution to the problems that come their way. Our hard task is to put convincingly before the American people the sound and beneficial economic and social achievements of large industry.

It is technological advance which has made our larger economic units both possible and more effective. The high American standard of living is provided by enormous turbine plants, steel mills, oil refineries, railroad freight facilities, wheat and cattle ranches, packing houses, chemical installations, and so on—and most people today are generally familiar with the size and cost of these units, as well as with the enormous cost of new developments involving basic research, pilot plants, and full-scale production. If they do not know the exact figures, they at least know that the cost is great, and that it is still increasing. It took only a few thousand dollars to tool up for the first automobiles, but when Ford changed from the Model T to the Model A in the '20s, the cost of the changeover was $100 million. There was a time when oil wells could be drilled for from $20,000 to $50,000 ,but today deep-drilling costs about $250,000 per well, and a recent pioneer well drilled to explore the continental shelf of the Gulf of Mexico cost $2 million. The initial costs of some kinds of capital ventures are s great today that it is a question in the minds of many as to whether even the biggest businesses are big enough to do the job. It makes an interesting contrast between the charge that business is growing TOO BIG and the charge that it is not BIG ENOUGH to handle modern economic developments.

Of course businesses do not grow simply because of an accumulation of physical assets; they grow so that they can achieve important economies in operation and service. Also their size is necessary to withstand the risks inherent in new developments—and these risks get ever larger. Only by their size and large financial resources are large corporations able to protect their organizations against loss and hard times. This probably accounts for the fact that in prosperous times the number of smaller firms increases, but in times of declining prosperity their number decreases and their earnings fall off faster than those of larger units. It is only the largest corporations which can afford to go into basic research, the results of which may take more than a generation to be realized in products and processes, and which cost millions of dollars. Yet the fact that these things are done in America accounts in no small measure for our economic leadership.

Why do large corporations enter into long-range scientific research and economic planning? Most people would say that it was in hope of making a profit—and that is a fair and honorable answer—but there is another reason not so often recognized. The primary purpose of good corporate management is to keep a company in business indefinitely. They must look ahead and plan for depression risks, competition, obsolescence, exhaustion of natural resources, population movements, fashion changes, and political attack. They must grow reserves against hard times, improve and lower the cost of their products, stabilize the security of their workers as much as possible, and make the public like and desire their company as a community and national asset. This means in effect that companies must make money to stay in business, rather than stay in business to make money. It eliminates quick and undeserved profits and unfair policies on practical as well as moral grounds. All of those people in America who are suspicious of the motives of big business do not have to take expressions of corporate good faith on trust; they have merely to observe that no other course will allow a company to stay in business today. All business has always operated at the pleasure of the public—and that pleasure is today much more acute and responsive.

Back to the President again—he stated last fall while campaigning that "there is a growing and dangerous concentration of economic power in the hands of a few men . . . great corporations have been expanding their power steadily. They have been squeezing small business further and further out of the picture."

There is much evidence to refute this, but take only one example. The Department of Commerce studied the fortunes of 1,000 American corporations in the 10 years between 1936 and 1946, and showed that the 200 largest had not grown as much as the 800 others; the total assets of the top 200 had increased 49.2%, as compared to 108.1% for the other 800; their sales had increased 101.3% as compared to 166.8%; and their net income after taxes had increased only 40.7%, while that of the 800 others had increased 115.8%. I have seen, and you have access to, reports and tabulations of the Department of Commerce and the Federal Reserve Board, all of which continue to refute the President's charge. But remember this—the people probably are persuaded by such statements, and will continue to be so persuaded unless we change their minds by unremitting hard work and intelligent perserverance in stating the facts, again and again, over and over. There are undoubtedly people in the country who sincerely believe that the continued existence of the General Electric Company is harmful to the interests of what they term "small business," and yet the other day I was looking over a partial list of the suppliers and subcontractors furnishing materials and parts on just one of our products—the J47 turbojet engine. It was not even a complete list—and on it there were 208 company names, contributing their skill, creating jobs, and I hope making a fair profit out of just this one job.

Results of Destruction of Large Enterprises

This is a long subject, and it requires hard work and considerable time to examine the evidence in order to build the right kind of case for the continuation of private business in the United States as a guarantee of economic liberty and leadership in a world that badly needs the fruits of such a system. An occasion such as this does not permit even an outline of the subject, and I have attempted no more than scattered comments, as you can observe. Let me just summarize in this fashion, and you will have to take the documentary proof on faith for the moment: if large business enterprises are no longer to be permitted to exist, it must be with the following results:

(1) Fewer corporations able or willing to take large economic or technological risks;

(2) higher prices and therefore a lower standard of living;

(3) fewer opportunities in private business for career employment or lifetime employment, followed by in many cases an assured pension;

(4) less basic or fundamental scientific research by private industry;

(5) fewer adequate-sized private companies on which the armed services must count in case of war.

The natural consequence of a planned destruction of the economic power of private corporations would be the transfer of that power to government. It would not actually be destroyed. We would simply have big government corporations. Today the people have recourse against monopoly and inefficiency in privae business, and they do not hesitate to act upon it, sometimes in the courts, but more often and more savagely in the marketplace. They should remember, before it is too late, that there is no recourse against government monopoly and inefficiency—no recourse but one, that is, and it is the kind of cure that finds the patient "cold stone dead in the market." It is the kind of cure that the Congressman from Arkansas suggested for the impending deficit. Benjamin Hill, a United States Senator, said this in 1878:

"I do not dread these corporations as instruments of power to destroy this country, because there are thousands of agencies which can regulate, restrain, and control them, but there is a corporation we may all dread. That corporation is the Federal Government. From the aggression of this corporation there can be no safety if it is allowed to go beyond the well-defined limits of its power. I dread nothing so much as the exercise of ungranted and doubtful powers by this government. It is, in my opinion, the danger of dangers to the future of this country. Let us be sure that we keep it always within its limits."

And Franklin D. Roosevelt, a governor of the great state of New York, said this in 1932:

"Were it possible to find master minds so unselfish, so willing to decide unhesitatingly against their own personal interests or private prejudices, men almost God-like in their ability to hold the scales of justice with an even hand—such a government might be to the interest of the country; but there are none such on our political horizon, and we cannot expect a complete reversal of all the teachings of history."

Seventeen years later, I find myself still in full accord with that remark. And 50 years after the day when, as a boy with a large appetite and certain well-defined responsibilities, I took my first job in the electrical industry, a private capitalistic-type of business which has attained a modest success and a good reputation with the folks next door, I find that I can recommend to you without reservation this industry and the economy to which it has brought such great leadership and magnificent benefits, as a venture that is not only worth continuing but worth fighting for.

More Dealers Explain Why They Are Opposed to the NASD

(Continued from page 4)

NASD. I'd like to see them call a general meeting of each district and let the boys come in and "blow off a little steam"—maybe I'm in the minority.*

SMALL UPSTATE NEW YORK TOWN

Believe the idea of the NASD is good but that it should be a cooperative and not a punitive organization.*

SMALL OHIO TOWN

I believe, with the 5% mark-up securities of the smaller corporations are not distributed among as many stockholders.

COLUMBUS, OHIO

Unemployed Investment Capital ranks as one of our country's major economic and social problems. Two important incentives, which would unlock the doors to these uninvested funds, are the elimination of double taxation of dividends and concellation of capital gains taxes—or at least a considerable reduction of such taxes. Although the NASD by its Certificate of Incorporation is "supposed" to provide the medium for the solution of problems affecting investors, the public, and the investment banking and securities business, we have as yet failed to find one word in any bulletin issued by headquarters of NASD to indicate that any effort is being put forth to "solve" this most important problem. What group in these U. S. is in better position to promote the necessary effort to solve the problem than the NASD? A well directed campaign extending down through the securities dealers with their grass-root contacts with investors should be a most potent force in correcting a situation affecting the nation's economy.*

SAN FRANCISCO, CALIF.

Believe principle is restraint of trade. Non-members are forbidden participation in selling groups etc.*

SMALL ILLINOIS TOWN

Our answer to No. 7 will alone exlain what we think in general of NASD. We are registered with SEC. We are licensed by the State of Illinois. In our opinion this should permit us to deal in all securities—yet because we are not members of NASD we are not considered eligible to enter into a contract on Investment Trusts—further we understand that NASD tells its registered members who deal in the open market in Investment Trusts that they can't sell those stocks to us at anything less than the offering price. We are also not permitted to participate in new offerings and benefit by the dealers discounts. In our opinion, collusion and restraint of trade would be the answers to all this. Then they wonder what has happened to the securities business.

CHICAGO, ILL.

Although we are not members of the NASD, we have always held our gross prcfit to well under 5% and because of the fact that we have no salesmen we are not handicapped too much by not being allowed to participate in new issues at a profit. On numerous occasions we have filled orders for good accounts without a profit on new issues, but always feel that we are being treated unfairly by the NASD ruling. We believe that this discrimination is contrary to the practice of free trade which is supposedly one of the basic privileges of our form of government but while the Maloney Act is still on the books, there is nothing that we can do about it. Personally I can see no real function or duty of the NASD other than as a front for unconstitutional practices that are done at the instigation of the SEC, which knows that such practices emanating from them (the SEC) would bring a storm of protests from all angles. I also think that a poll (secret) of the members of the NASD asking if they wished to have the organization dissolved would be very enlightening and might be used as an opening wedge toward the dissolution of this hindrance to our industry as a whole. I shall await with interest the results of this questionnaire which I know will be published in your good publication.*

CHICAGO, ILL.

Although we are properly registered with the SEC as a broker-dealer, as well as licensed by the State of Illinois, we are prevented by the NASD from handling Dividend Shares, Inc., of Calvin Bullock as well as Group Securities of the Distributors Group. Both of the aforementioned have refused business from us on the basis that we are not members of the NASD. Recently, Smith, Burris and Company, over-the-counter dealers in trust shares and not members of either syndicate, were prevented from doing business with us because of the fact that we are no longer members of the NASD. We are of the opinion that this is in restraint of trade and a violation of the Sherman Anti-Trust Act. We have been consistently discriminated against although we are strong financially, of good reputation and our record with the SEC is clear and always has been. We have been virtually put out of business by this un-American NASD racket.

CHICAGO, ILL.

Securities are like any other commodity, and they still have to be sold, and men selling securities need the same necessities of life as any other group of merchants. The profits available in the investment field have been narrowed down to a point that it fails to give the needed incentive to attract new blood into the industry. The investment banking fraternity should adjust their own household, and recognize the different activities within the industry. The telephone boys selling national underwritings, the brokers selling listed issues, trading houses finding markets for over-the-counter securities, and the small dealers selling for investment purposes, all have different problems and cannot be solved with merely one yardstick.

WICHITA, KANSAS

I declined to join when NASD was first organized because the solicitor held out as one of the attractions—"If you get in trouble with the SEC, the NASD can soften the blow." I consider that a

*Commented Anonymously.

business honestly conducted should have little difficulty with either State Blue Sky Boards or with the SEC; if the latter should be arbitrary and unfair, one should look to our courts for relief. I have also declined invitations to join NASD because such an organization admits its weakness by its need of regimentation when it forbids dealer discounts to non-members. I refused to join the Blue Eagle as a matter of principle. I believe all police powers should be vested in our state boards and the SEC and have found them to be very fair in all our contacts with them. Attempts by the NASD at self-regulation remind me of what happens in a large family when the head of the house is absent and one or two of the children try to step into the shoes of the parent.

SOUTH BEND, INDIANA

Don't ask for comments. They would burn holes in the paper.

SMALL INDIANA TOWN

The NASD is controlled by large firms who do not care to see the smaller dealer stay in business.

KANSAS CITY, KANSAS

We feel that the NASD has been a fine influence on an industry noted for its shady dealings in the past. Our firm has an application for membership pending. The only objection we have to the rule against dealing in securities with non-member firms is that there are some very reputable firms in the state of Kansas who do not belong, and with whom we would like to do business.

NEW ORLEANS, LA.

I am opposed to NASD in every respect!—and have quit as a member. I get along very well without Nasty. If you would like to see my income tax returns you are welcome. I am opposed to: (a) writing a blank check to anyone—they spend money and then assess the dealers their share. It has been reasonable so far—but only so far. (b) Having only **one** such organization, thus creating a monopoly.

SMALL COLORADO TOWN

Please do not use my name in connection with this statement. I resigned from the NASD a number of years ago rather than submit to some of the ideas they had, and your Item No. 5 has naturally cost me something since resigning, but I am in a position that it has not been serious.*

PHILADELPHIA, PA.

No. 2. No. This is the business of the SEC only. No. 3. No. This is the business of the SEC only. No. 5. No. This is interference with a free market, is price fixing, restraint of trade, and prevents a dealer or broker from representing his customer in a fiduciary capacity. No. 6 Yes. Because the NASD serves no purpose other than to interfere with the industry as a whole and places in the hands of powerful underwriters and manufacturers of securities a club with which to harass, discipline, and coerce without benefit to the public.

SEATTLE, WASH.

I have answered all of your questions excepting No. 4, after which, I have placed a question mark. First, let me say that I admire your efforts in trying to change the system under which we now operate. It is true, some good has been done by the SEC but not a great deal by the NASD. We are forced to join this Association and forced to comply or be ostracized. This, of course, I do not like.

In the beginning, we were told that the reason for the NASD and their private investigation was that it was better that we be examined and governed by our own members who are friendly than to have the SEC send the government inspectors around to snoop and possibly to persecute. Therefore it would seem if I must be investigated, prosecuted and judged by someone, I would rather have people in our line of business judge our firm and its actions than to have a self-important SEC investigator do it, but the whole idea of being forced to join an Association and pay tribute or be placed upon a black list savors of rule in Germany or Russia, and all members of our firm are of the same opinion.

Evidence of the fear of persecution comes at the end of this letter when I am forced to send you the only letter I have ever written in my life without my name signed at the bottom. The reason for this is just one thing and that is, should this letter fall into government hands they would be down here on some pretext and could easily find something to complain about such as government regulations.*

SMALL WISCONSIN TOWN

Number 1—For the protection of the public and dealers, I believe there should be some sort of yardstick but it should be elastic to meet different circumstances—riskless, time-consuming, etc.

Number 2—I don't consider the question fairly stated. The writer happens to be a member of a local business conduct committee of NASD. It is my opinion that such committees can settle and have settled differences of opinion that would have been harmful to the industry had they reached a court of law and become public. Any such settlement of course, can be appealed.

*Commented Anonymously.

William E. Clegg Joins Saunders, Stiver & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—William E. Clegg has become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Cleveland Stock Exchange. Mr. Clegg was formerly in business for himself in Cleveland.

Arthur E. Thiede With David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Arthur E. Thiede has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Thiede has conducted his own business in Chicago for the past 40 years.

Davies & Mejia Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Warren Franklin has become affiliated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert L. Lindstrom has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Lindstrom was previously with Marache, Sims & Speer.

Financing Utilities Expansion Program

(Continued from page 11)

an industry. Opinion surveys show about distinctions between various companies. Adverse situations affecting one company tend to harm others in the business. This is not all in the minds of the investors, either; a bad situation does affect others as well as the company experiencing it. But the utility business does not as a rule act, think, or talk as an industry. If it is to cope with the situation which now confronts it, it cannot continue on its present individualistic course. An information program on the national level is an urgent need.

I understand that a movement has been started within the industry to fill this urgent need. Substantial progress has already been made; a number of companies are now participating and the program is a going concern. But it cannot be a complete success unless it has the support of the entire industry. By support I not only mean subscribing to it; that is necessary, of course. But that alone will not be enough. The leaders of our industry—our top men—must take off their coats and work at the job of selling the utilities as an industry, to the people of the United States.

The program also should be carried out on the regional and the grass roots local levels.

Greater use should be made of newspapers, financial publications, trade magazines and similar sources that reach the potential investor, as well as present investors. It is essential to keep those who can help fully and currently informed on all aspects of the industry's business.

Relations With Investors, Underwriters, and Dealers

A large number of electric and gas utilities have been confronted recently with the new experience of maintaining relations with investors, underwriters, and dealers. These relations were formerly of little or no concern to executives of those companies because holding companies largely assumed responsibility for the equity financing of their operating subsidiaries. Now, companies only recently divested from holding company control, together with most other electric and gas utilities, are confronted with the problem of raising substantial amounts of money for new construction. Good relations with investors, underwriters, and dealers are of paramount importance to the successful completion of these financing programs.

Good investor relations do not just happen, they have to be achieved. Once attained, they must be maintained by unremitting attention. They are the means of instilling confidence among investor groups that the utility is a good investment risk.

Investors fall generally into two broad groups, one consisting of institutional investors and the other individual and other investors.

The institutional investor group generally is made up of those who make investments their business, and who purchase securities on a large scale. In this category are insurance companies, investment trusts, banks, and trust companies, investment companies and similar institutions. Generally, those investors rely on their own staffs, the financial and statistical services, or retained consultants to supply them with detailed data on a company in whose securities they may be interested.

The individual investor group is made up of people of all walks of life and interests. For the most part, their purchases of securities are limited to relatively small amounts. For many companies, they are largely company customers, employees, and residents of the area served. Their views on the company and their actions in regard to it can therefore have an immediate and important bearing on the company's affairs.

The single most important medium available for informing all investor groups about a company is the annual report to stockholders. It is the medium where the company can report fully on its contribution to the economy of the area it serves and can address its employees and customers. It is the place where management can and should present its case in a fashion that will attract readers.

The annual report should be based on a statistical and financial review of the company's affairs, without being an entirely statistical and financial presentation. Information in it should be comprehensive, significant, up-to-date and consistent.

Interim reports should be sent to stockholders to keep current the important financial and operating data in the annual report. These interim reports are most necessary for security analysts and investment bankers.

Financial and statistical agencies send out their own questionnaires for filling in by utilities. It is definitely in the company's interest to furnish the information required.

Rating agencies play an important role in the cost of money to the utility. An informational brochure can be utilized to supplement the annual report in times of financing. This special report can be used to acquaint those agencies, as well as investment bankers, with operating and financial data which may be beyond the practical scope of either the annual report or the registration statement.

Another special report is what might be called the "picture book." Its purpose is to publicize and interest people in the company by illustrating its properties and territory. Movies and slides are also used for that purpose.

Meetings should play a very important part in investor relations programs. Some of the groups with whom meetings are desirable are commercial bankers, investment bankers, institutional investors, investment counselors, financial and statistical agencies, security dealers and brokers, and the financial press.

The maintenance of good relations with bankers, underwriters, and security dealers is of utmost importance to the successful financing of the utility expansion program. It is essential that this group be well informed on the investment quality of utility securities. Many checks have shown that a large proportion of individual security holders purchased the particular securities

(Continued on page 42)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market break brings sharp rally much closer. Signs that market is oversold, now increase.

The break of Monday proved at least one thing—the market's signals of the past few weeks were much more important than the forecasts of many business and Government leaders that everything was okay.

* * *

I have often stressed the point that the market's value as a prognosticator has never been challenged successfully. It may take weeks or months before the basic business conditions the market warns about, take the turn price action points to. But, eventually they come about.

* * *

All this, however, is so much water over the dam. What happened in the market, yesterday or last week can be the basis of academic discussion. It doesn't tell us what will happen tomorrow.

* * *

Last week there were signs that once the bear market signal was confirmed by a break-through of the highly publicized critical point, the chances were a recovery would occur. I stressed, however, that first there would be a spill, which in turn would increase pessimism and probably intensify the short positions.

* * *

You have already seen the spill. I feel that before this market is many days older the recovery I mentioned before, will be under way. The reason, in my opinion, is purely technical. Market action is comparable to that of a pendulum. The further it travels to one side, the greater will be its swing to the other. With each point decline in stocks, bearishness increases. In some cases this bearishness is simply vocal. But in many cases it is translated into action — going short.

* * *

Should, what is termed a normal rally in a bear market, be seen in the next few days, I think the preponderance of shorts in an already thin market, will increase the momentum of the market in an upswing to almost full bull market proportions.

* * *

Were I short of them at this point I would cover and go long. I would stay long for anywhere between five and eight points on the upside and then would get out again. If short selling wasn't surrounded by too many obstacles I would then put out a new line.

* * *

I don't think a list of stocks need be given at this point. I think the stocks which have declined the most will have the greatest recovery. What these are can easily be confirmed by going through the quotations printed in many newspapers.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Financing Utilities Expansion Program

(Continued from page 41)

that they own on the recommendation of either (1) their commercial bankers, (2) a security dealer, or (3) on the advice of someone who was acting on the advice of one or the other of the first two.

Each company should analyze its own list of security owners to learn where it is already favorably known, and to gauge how broad a market is desirable or feasible to reach in order to raise the funds required. A program of banker and dealer contacts that will be broad enough to accomplish the desired results only then can be outlined satisfactorily. The most effective method of keeping bankers and dealers informed is by personal contact. A thorough, continuing and effective job can be done best by assigning this task as the principal duty of one of the officers of the company.

Earnings Needed and Allowed

Adequate earnings are a prerequisite to successful equity financing. This is the reason why the determination of requisite and allowable earnings is so important to the electric industry. The ability to obtain new money from common stock financing in amounts adequate to meet the requirements of the industry requires earnings at a level that will support the new equities at least as well as outstanding shares.

One thing that should be done as far as earnings are concerned is to place utility stocks on a better competitive basis as compared to industrial stocks. On an industry-wide basis only a relatively small percentage increase in revenue would be required to improve the approximate 25% price disadvantage of utility common stocks compared to industrial stocks at currently demanded dividend or earning yields.

Regulatory bodies that are not already cooperating can help the earnings picture by bringing their ideas more closely in line with current conditions by abandoning rigid adherence to theoretical rate-base and rate of return theories and recognizing rate bases and rates of return to yield earnings that will attract capital now and in the future. They should re-examine their methods and principles to give more recognition to the fact that rates are fixed for the future and not for the past. This would mean giving more weight to anticipated plant investments, as well as required earnings. In fact, this has recently been done in the case of some companies such as Northern States Power Company by the Wisconsin Commission. Procedures should be simplified and proceedings expedited by using the conference method wherever statutes or other conditions permit. After all, the problems incident to financing the expansion programs are economic and business problems; they are neither legal nor political. Speeding up the regulatory processes will aid greatly in making it possible for companies to "catch the market."

Regulatory bodies and utility companies should cooperate closely in scheduling the consummation of divestment orders and security issue authorizations so as to avoid "glutting the market."

Effect of Competitive Bidding on Utility Financing

It appears that Rule U-50 and competitive bidding are generally adapted to high and medium grade utility bonds. On investment grade bond issues of medium size ($10,000,000 to $35,000,000), where no special factors complicate the situation and require special sales efforts, competitive bidding has been satisfactory.

On lower grade bonds, the experience under competitive bidding has been very limited. There is a general belief, however, that where special circumstances (such as a lower than investment grade rating, temporary low earning power due to special circumstances) affect an issue, a negotiated sale or a private sale is more advantageous, even as to price. This is due to the fact that an underwriter can afford to spend a substantial amount of time and work on an issue, if he is sure of his commission, whereas if he is only one of four or five bidding on an issue, he cannot afford to do an "individualized selling" job to get the best price for the issuer.

As regards preferred and common stocks, the comparatively weak market in these issues since mid-1946, particularly in the medium and lower grades, has made competitive bidding unsatisfactory to the banker, the investor, and the issuing company. The need for individualized selling and the great importance of timing resulted in substantially greater amounts of both preferred and common issues being sold during 1947 and 1948 under negotiated placement than under competitive bidding.

In view of current market conditions and the importance of obtaining preferred and common stock financing with as little hindrance as possible, the committee makes the following recommendations:

That the Securities and Exchange Commission temporarily suspend the applicability of Rule U-50 to sales of electric and gas utility preferred and common stocks and adopt a new rule providing that such sales may be made by any method, providing that the Commission retains jurisdiction over the reasonableness of prices and spreads. The suspension should be made permanent if, after a trial period of two years, the new procedure is found satisfactory. It could be revoked at any time if the Commission found there was a return to conditions which it determined were unsatisfactory.

That the Securities and Exchange Commission increase the exemption from competitive bidding on debt transactions to $3,000,000 in any one calendar year from the present level of $1,000,000.

Characteristics of Securities

Because of the increasing number of special features being injected into the securities under a financing plan, it seemed desirable to study and report on the characteristics of securities.

Mortgage bonds have established fairly definite patterns with respect to sinking funds, maintenance and replacement funds, dividend restrictions and certain other features.

The number of debenture issues has been too few to establish any particular pattern and the indentures under which they are issued are hand-tailored to meet the problems of the particular companies involved. Generally, substantial sinking funds are required, the indentures contain more restrictive provisions and interest rates are higher than rates for first mortgage bonds.

Convertible debentures have been used to some extent in financing programs. Depending on the conversion features, interest rates compare favorably with rates of first mortgage bonds. They are generally offered to common stockholders and the subscription record has been extremely high.

Frequently common stocks of utilities have been offered to stockholders at a price below current market before they are offered to the public. This enables the stockholder to maintain his proportionate equity in the enterprise. In most instances the offering price was within 20% of the current market price. During the offering period there were no substantial variations in the price of the stock, and the price at the close of the offering period did not vary substantially from the price one week before the offering period.

Impact of Federal Taxation on Utility Financing

Federal taxation has had a substantial effect on the financing programs of utility companies. The decline in the ability of the high income groups to save, resulting from the tremendous increase in personal income taxes, has had an important influence in restricting the sale of corporate equities.

Another effect of these heavy taxes has been to shift investment preference to tax-exempt State bonds. For a single person with an income of over $60,000, there is no difference in yields between New York State tax-exempt bonds and an average common stock investment yielding 6.4% before taxes.

Two decades ago a substantial amount of savings from the middle income group went into equities, whereas this group now seeks security in additional insurance, pension plans and the like. These moneys are channeled into institutional hands which are generally limited to investment in debt and to a small amount of preferred. These limitations combine to result in a shortage of equity capital.

Tax relief for utilities would undoubtedly help to induce utility equity investment. For example, one of the obvious forms of special relief might be the repeal of the Federal electrical energy tax, which is generally recognized as discriminatory against privately owned electric utilities and excessively expensive to administer. Tax relief for individuals also would help utility equity investment.

Conclusion

In conclusion, I want to point out that the committee that was charged with the responsibility of studying the subject of financing utility capital requirements has completed its work and the report is about ready for printing. The matter is now in the hands of the electric utility industry, as well as the individual electric utility companies, to carry out the suggestions made by the committee. If real benefit is to come from this work and the financing programs are to be assured of success, it must result from the initiation of plans and the adoption of programs which will carry forward this work vigorously.

Bank of Manhattan Co. Offers Stockholders Additional Com. Shs.

Bank of the Manhattan Co., fifteenth largest bank in the United States in amount of deposits, is seeking to increase its capital funds with an offering to its stockholders June 8 of 500,000 additional shares of capital stock. Priced at $21.50 per share, the stock is being offered on the basis of one additional share for each four held of record on June 7, 1949. The First Boston Corp. heads an investment banking group which is underwriting the offering and which will purchase any shares remaining unsubscribed at the close of business on June 22, 1949.

On completion of the current offering, total capital funds of the bank will have been increased by approximately $10,500,000 and the outstanding capital stock from 2,000,000 to 2,500,000 shares. Authorization to increase the capital stock by 500,000 shares was approved at a special meeting of stockholders on June 1, 1949.

The company was founded under the name of President and Directors of the Manhattan Company in 1799 by a special Act of the New York State Legislature, to supply water to the City of New York and to employ its surplus capital in banking transactions. With the transfer of the water works to the City of New York, the company was authorized by the Legislature to expand its original banking facilities from the employment of surplus capital to the use of the whole of its capital.

Total deposits of the bank in the past 10 years increased from $609,781,240 to $1,081,517,754, a gain of 77%. Capital funds, represented by capital stock, surplus and undivided profits, increased from $46,512,743 at the close of 1939 to $67,138,479 on March 31, 1949. Total resources on March 31, last, amounted to $1,168,690,196. The bank operates 53 branch offices in New York City.

Dividends have been paid every year without interruption for 102 years and in 144 of the 150 years since 1799. According to the offering circular, directors believe that the present quarterly dividend of 30 cents per share and the year-end dividend of 10 cents per share can be maintained on the increased capitalization unless there is a marked change in the situation.

Mayer With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CANTON, OHIO — Harvey Mayer has become associated with Merrill Lynch, Pierce, Fenner & Beane, St. Francis Hotel Bldg. Mr. Mayer was formerly Canton representative for The First Cleveland Corp.

Possible Effects of Economic Trends

(Continued from page 13)

textiles—to cite only a few examples.

One thing at least seems clear—that the inflationary forces created by World War II have for the time being run their course. Today the country's economy, measured in dollars, has very largely caught up with the wartime increase in the money supply, wartime shortages of goods have been reduced, and the country's productive capacity vastly increased.

For a regulated industry such as the utilities, this means a particularly welcome relief from the worst problems of rising costs. There should now be more opportunity for technology and for the traditionally laggard rate adjustments to catch up. That the utilities have come through the inflation so well is not only a reflection of America's great need for power, but a tribute to technical and managerial efficiency of which the industry may well be proud.

Rising Cost of Government

The next and final chart depicts a major long-term trend which threatens grave consequences to our economy and way of life. This is the rising cost of government.

The upper half of the chart shows over a period of some 30 years the trend of national income and of the total tax load, both Federal and local. The lower half shows how the ratio of taxes to national income has increased over the years.

In 1948, 22%—more than one dollar out of every five — of the national income was taken in taxes. While the ratio has declined from the wartime peak, this, as you see, was due not primarily to reduction of taxes, but to the inflation of incomes during the postwar boom. As the national income falls with the petering out of the boom, this ratio is bound to rise and become more burdensome.

Nor is any end in sight to this trend of rising government costs. Despite the huge national debt and the heavy cost of national defense and foreign aid, the pressures upon Congress for more spending for public works, subsidies, bonuses, guarantees, and "free" services of all kinds is terrific. The Administration evinces little interest in economy, but on the contrary leads the spending parade and asks for more and more taxes. Meantime, the national income is receding.

The insidious thing about all this spending and taxing is that it is so easy to start and so hard to stop. Thus the budget grows and grows until eventually a situation is reached like that in England where the total tax "take" now amounts to 40% of all incomes. Only recently the British Chancellor of the Exchequer, Sir Stafford Cripps, was forced to tell the British people that the Socialist policy of redistributing wealth through taxation had reached the limit, and that henceforth it would be necessary to rely on creating more wealth rather than distributing what already exists. But how can the creation of new wealth be encouraged under a system and level of taxation that places so heavy a load on the productive energies of the people?

To be sure, we have not reached the stage of England; but we are heading fast down the road.

The Fight for Sound Government

This country's production accomplishments during the war, the success in reconversion, and the huge program of peacetime expansion that enabled us to overcome war shortages at home, while at the same time rendering relief and recovery aid to the world—all demonstrate that the dynamic qualities of the American system still endure. Once again science and invention, teamed with managerial ability and experience, are in countless ways pushing forward into new fields of endeavor, providing new job opportunities, and newer and better products and services for the American people. The new and lustily growing industry of television is but one dramatic illustration of the enterprise system energy lies ahead. Certainly in the light of these achievements and future possibilities, the "mature economy" philosophy preached in the '30s was — to put it bluntly —"the bunk."

This powerful trend of growth can, however, be impeded by government in two ways: either by inflationary credit and fiscal policies which create an artificial demand that over-stimulates and distorts economic development, or by taxes and controls which stifle initiative and enterprise and obstruct the natural adjustments of the economy at every turn. A fact that is brought home to us with more and more weight every day is the never-ending problem of maintaining the forces that built this country and made it great.

Nowhere is this struggle better typified than in the battle now going on over the national budget. There we face the three-way question — whether to cut spending to a level the country can afford to support in taxes, whether to raise taxes with their depressing effect on production and risk-taking, or whether to resort to unsound deficit financing with all its inflationary dangers and legacy of more billions of national debt to burden the people in future years.

The decision on these questions is a crucial one, and what we do now will go far toward shaping the character of the American economy for many years to come.

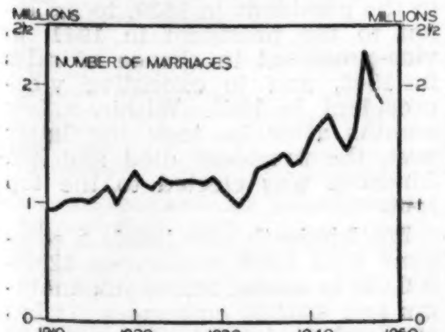


CHART I

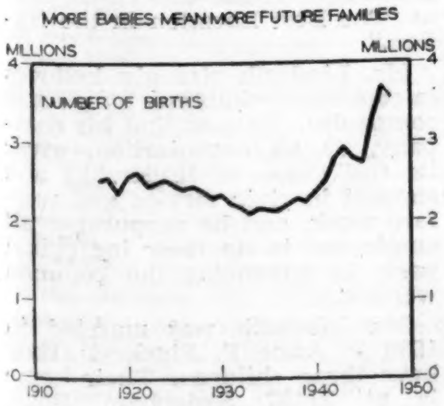
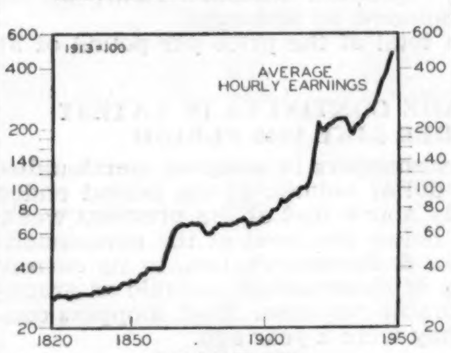


CHART II



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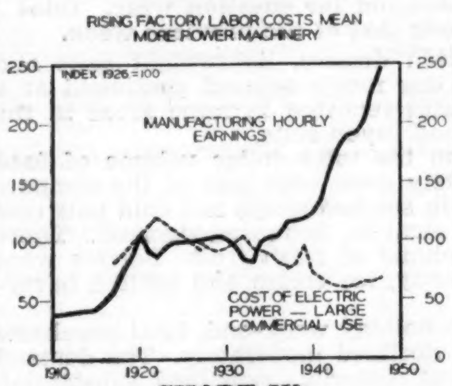

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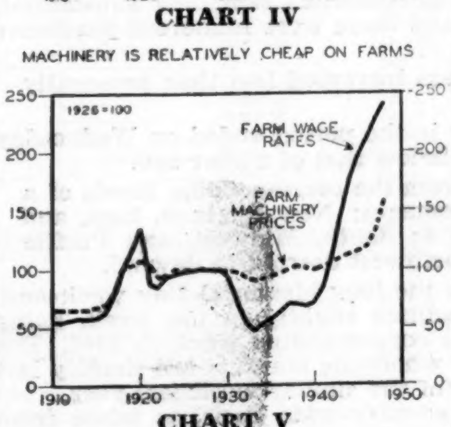

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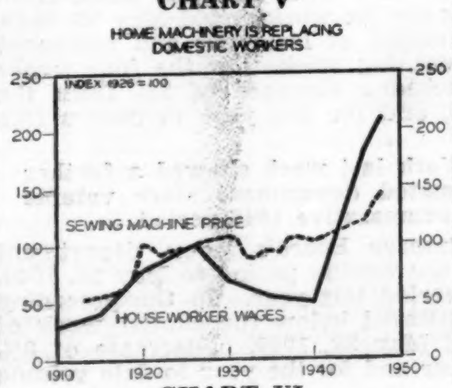

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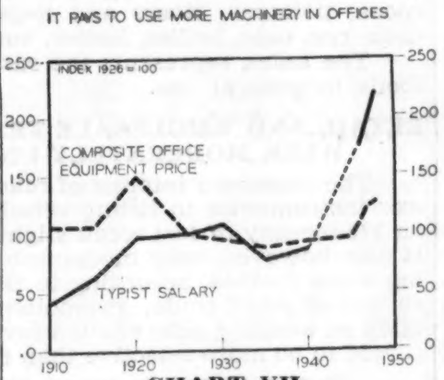

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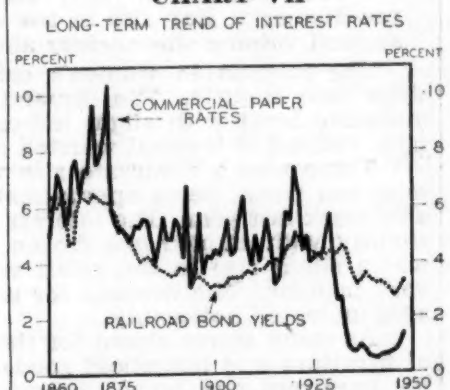

CHART VIII

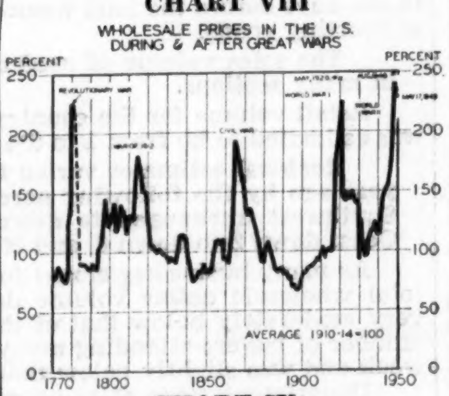

CHART IX

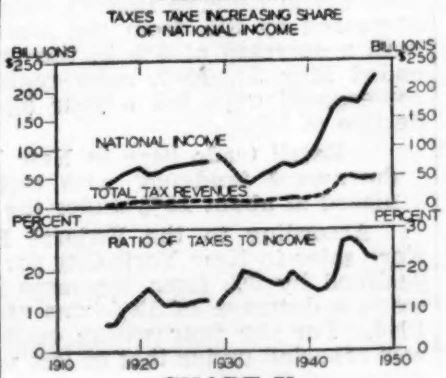

CHART X

Halsey, Stuart Group Offers So. Ry Equips.

An underwriting group headed by Halsey, Stuart & Co. Inc. won the award yesterday, June 8, of $7,500,000 Southern Railway equipment trust series RR 2½% equipment trust certificates, due $250,000 semi-annually Dec. 15, 1949 to June 15, 1964, inclusive. Subject to Interstate Commerce Commission authorization, the certificates were re-offered at prices to yield from 1.25% to 2.725%, according to maturity.

Proceeds from the sale of certificates, which are issued under the Philadelphia plan, will be used to provide for new standard-gauge railroad equipment, estimated to cost not less than $10,000,000, consisting of 88 passenger train cars.

Other members of the underwriting group were R. W. Pressprich & Co.; A. G. Becker & Co., Inc.; Hornblower & Weeks; Merrill Lynch, Pierce, Fenner & Beane; Otis & Co.; L. F. Rothschild & Co.; First of Michigan Corp.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; William Blair & Co.; McMaster Hutchinson & Co.; The Milwaukee Co.; Mullaney, Wells & Co.; and The Robinson-Humphrey Co.

Consol. of Baltimore Stock Offered at $60

The directors of Consolidated Gas Electric Light and Power Co. of Baltimore at a meeting June 7 fixed a price of $60 per share for the company's new issue of common stock. A total of 219,546 new shares are being offered by the company.

Warrants evidencing rights to subscribe for the new stock in the proportion of one new share for each six shares of common held at the close of business on June 2, are being mailed to stockholders. The subscription rights will expire at 3 p.m. on June 27. The rights are being traded on the New York Curb Exchange and the Philadelphia-Baltimore Stock Exchange.

The Maryland Trust Co., Baltimore, and The New York Trust Co., New York City, are the subscription agents for the new stock.

The company has entered into an underwriting agreement with The First Boston Corp.; Alex. Brown & Sons; John C. Legg & Co.; Baker, Watts & Co.; Stein Bros. & Boyce; Robert Garrett & Sons; Mead, Miller & Co.; Baumgartner, Downing & Co.; C. T. Williams & Co., Inc., and 10 other underwriters who will purchase from the company at the subscription price any shares not subscribed for by stockholders.

The State of Trade and Industry

(Continued from page 5)

going for several months at a cut-rate price also has its drawbacks. For one thing, states this trade authority, within a few hours the cut price is known and met throughout the trade. And if another cut comes it will be met, and maybe shaved. There is a limit as there was in 1938 as to how low the base prices of steel can sag. It has always been a very low operating rate which has touched off the bargain sales. The real test of today's prices will not come until the operating rate goes well below what it is this week.

The O'Mahoney bill to allow freight absorption by the steel industry can't come too fast for some steel areas. The House still has to agree on the Senate version. Even if the bill is finally passed so that freight can be absorbed by steel firms it should be remembered, concludes "The Iron Age," that the steel companies are still under a Federal Trade Commission cloud, since the steel case has not yet been completed by the Commission. Further freight rates are so high that in some cases freight absorption is academic and business is slipping so fast in some locations that backyard concentration is the rule.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 89.1% of capacity for the week beginning June 6, 1949, as against 91.8% in the preceding week, or a decline of 2.9%.

This week's operating rate is equivalent to 1,642,600 tons of steel ingots and castings for the entire industry, compared to 1,692,300 tons a week ago, 1,773,500 tons, or 96.2% a month ago, and 1,732,300 tons, or 96.1% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS INCREASE FURTHER IN LATEST WEEK BUT HOLD BELOW LIKE PERIODS OF 1948-1947

Loadings of revenue freight for the week ended May 28, 1949, total 784,824 cars, according to the Association of American Railroads. This was an increase of 10,913 cars, or 1.4% above the preceding week. It, however, represented a decrease of 119,933 cars, or 13.3% below the corresponding week in 1948 and a decrease of 45,381 cars, or 5.5% below the similar period in 1947, which included the Decoration Day holiday.

ELECTRIC OUTPUT DIPS IN HOLIDAY WEEK AFTER MILD RECOVERY OF PREVIOUS WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended June 4, was estimated at 5,018,270,000 kwh., according to the Edison Electric Institute. This represented a decrease of 251,891,000 kwh. below output in the preceding week, 172,812,000 kwh or 3.6% higher than the figure reported for the week ended June 5, 1948, and 383,052,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT LAST WEEK AGAIN LOWER DUE TO HOLIDAY

Production of cars and trucks in the United States and Canada the past week touched a new low for the year at an estimated 97,995 units as a result of the Memorial Day holiday, compared to 117,703 (revised) units in the preceding week, "Ward's Automotive Reports" states.

The total compares with 75,607 units a year ago and 133,545 units in the like week of 1941.

Last week's output consisted of 76,560 cars and 15,079 trucks built in the United States and 3,766 cars and 2,590 trucks in Canada.

With Ford back in production and Chrysler planning a boost in output, June should bring the highest postwar output for the industry, according to Ward's. Best postwar month to date was April when 564,196 cars and trucks were produced in the U. S. and Canada.

Production for the year to date is estimated by Ward's at 1,969,109 cars and 438,590 trucks in the U. S. and 69,782 cars and 45,197 trucks in Canada. In the like period of last year, 1,507,896 cars and 613,676 trucks were produced in the U. S. and 63,651 cars and 47,456 trucks in Canada.

BUSINESS FAILURES RECEDE IN HOLIDAY WEEK

Commercial and industrial failures declined to 165 in the holiday-shortened week ended June 2 from 206 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were at the lowest level in 17 weeks, they were considerably above the 91 and 72 which occurred in the comparable weeks of 1948 and 1947. Failures continued to be less numerous than in the prewar period; a total of 249 concerns failed in the same week of 1939.

Casualties involving liabilities of $5,000 or more decreased to 132 from 163 in the previous week, but they were almost twice as numerous as a year ago when 77 occurred in this size group. Among small failures with liabilities under $5,000, there was a decline to 33 from 43 last week; this compared with 13 in the corresponding week of 1948.

Retail failures accounted for most of the week's decline, while casualties in wholesaling remained unchanged with an increase in commercial services. In comparison with mortality in 1948, a marked uptrend was apparent in all industries and trades except construction.

Eight of the nine major geographic regions reported a decline in failures during the holiday week. The only increase occurred in the West South Central States where 18 failures were reported as against 10 a week ago. Compared with last year's level, the sharpest increases prevailed in the East and West North Central States which had six times as many casualties as in 1948, while the Pacific and Mountain States were the only areas reporting a decline.

COMMODITY PRICE INDEX AT LOWEST LEVEL SINCE FEB. 8, 1947

The general level of commodity prices worked lower during the past week. This was reflected in the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., which struck a new low for the year and the lowest level since Feb. 8, 1947, when it stood at 242.31. The index closed at 243.00 on May 31, a drop of 2.5% from 249.13 a week previous, and compared with 285.53 at this time a year ago.

Grain markets on the Chicago Board of Trade were under considerable pressure last week with prices moving generally lower.

After an early rise, wheat prices turned downward under persistent liquidation influenced by expanding harvest operations in the Southwest and fears of a shortage of storage facilities when harvesting gets in full swing.

With country offerings of corn more liberal and further large marketings in prospect, prices dropped sharply, with the July delivery selling about 28 cents a bushel under the prevailing Government loan rate. Cautious trading continued to feature the domestic flour market with bookings generally confined to small lots for nearby shipment.

The sugar market developed an improved tone with prices for spot raws touching new high ground for this year and last.

Spot butter prices at New York continued to weaken while futures in the Chicago market dropped to the lowest level since early February.

The continued easy trend in butter was due to heavier receipts and offerings coupled with limited demand. There was a somewhat better interest in cocoa and prices closed moderately higher than in the preceding week.

Lard continued to show an easy tone last week although quotations remained nominally unchanged. Slow demand for lard largely reflected continued weakness in vegetable oils.

Live hogs in the Chicago market were in active demand and prices advanced over $1 a hundred pounds to the best levels since the end of March.

The rapid rise in hog values was attributed to a strong demand and further strengthening in prices for both cured and fresh pork products. The cattle market was active and strong and prices scored the best advance in over three months, aided by a broad demand for dressed beef.

Spot cotton prices were irregular in the past week with trading volume down rather sharply from a week ago. Closing quotations showed a further slight decline for the week. Although sales in the ten spot markets exceeded last year's low level, they fell sharply to 89,000 bales, from 135,600 bales a week earlier. Inquiries were less numerous with little interest displayed in new crop commitments Domestic mill buying continued on a limited basis and sales for export showed a decrease in volume. Repossessions of 1948 loan cotton during the week ended May 19 increased moderately to 85,400 bales, from 67,100 bales in the week preceding. Total repossessions for the season through May 19 were placed at 1,038,900 bales, leaving a net stock in the hands of the CCC of 4,230,200 bales.

FOOD PRICE INDEX HOLDS UNCHANGED DURING LATEST WEEK

Despite a sharp downturn in grain prices, the Dun & Bradstreet wholesale food price index for May 31 remained unchanged at the previous level of $5.74, largely due to continued strength in livestock values. The current figure shows a drop of 17.6% below the $6.97 recorded at this time a year ago.

Commodities moving upward in the week included hams, sugar, cocoa, potatoes, steers and hogs. Declines included flour, wheat, corn, rye, oats, bellies, butter, cottonseed oil and eggs.

The index represents the sum total of the price per pound of 31 foods in general use.

RETAIL AND WHOLESALE TRADE CONTINUES IN LATEST WEEK MODERATELY UNDER LIKE 1948 PERIOD

The increased interest of many shoppers in seasonal merchandise was instrumental in lifting retail dollar volume in the period ended on Wednesday of last week slightly above that of the previous week. It was, however, very moderately below that of the corresponding week in 1948, according to Dun & Bradstreet, Inc., in its current review of retail trade. Promotions of merchandise suitable as graduation or wedding gifts elicited favorable response. Most shoppers continued to be more selective than they were a year ago.

Cool weather in many sections slightly impeded the usual pre-Memorial Day rise in the demand for vacation wear. Total apparel volume was slightly above that of the previous week.

The interest in women's cotton dresses, lightweight suits and shoes rose slightly. The demand for men's apparel continued at a moderate level with slight increases reported in some areas in the sales volume of tropical worsted and rayon suits.

There was a moderate rise in the total dollar volume of food sales last week, being approximately even with that of the comparable week last year. The interest in smoked meats and cold cuts rose slightly with canned and frozen meat in increased demand. There was a slight rise in the retail volume of fresh fruit. Berries were very popular. The demand for candy, ice cream and bottled beverages increased noticeably.

As many stores closed for the holiday week-end, total purchases of furniture and household goods declined moderately. The demand for hardware and home decorating materials remained substantial. In the days before the long week-end there were numerous purchases of sporting goods.

The sales volume of used cars increased less than seasonally in many sections.

Retail volume for the country in the period ended on Wednesday was estimated to be from 1 to 5% below that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England, East, and Southwest unchanged to down 4; South, Midwest, and Pacific Coast down 2 to down 6, and Northwest down 2 to down 5.

As many businesses closed for the long Memorial Day week-end, total wholesale dollar volume declined slightly in the week, being very moderately below that of the corresponding week in 1948. The number of buyers attending many wholesale markets fell sharply last week and was slightly below that of the similar week last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 28, 1949, decreased by 8% from the like period of last year and compared with a decrease of 5% in the preceding week. For the four weeks ended May 28, 1949, sales registered a decrease of 3% from the corresponding period a year ago, and for the year to date a like decline of 3%.

Retail trade here in New York last week showed a further downward tendency with estimated department store volume placed at about 15% under the comparative 1948 period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 28, 1949, declined by 8% from the same period last year. In the preceding week a decrease of 10% was registered below the similar week of 1948. For the four weeks ended May 28, 1949, a decrease of 8% was reported under that of last year and for the year to date volume decreased 6%.

Lindseth Is Named President of Edison Electric Institute

(Continued from first page)

that a big factor in his rapid rise in the electric power business was the opportunity available under the capitalistic system. His father, Andrew, was a blacksmith who later became a foreman with the New York Central System in Cleveland.

Mr. Lindseth began to take advantage of capitalism's opportunities when he was graduated from a Cleveland high school at 16. He earned a scholarship to Case Institute of Technology and commenced his study of engineering. After two years he transferred to Miami University of Oxford, Ohio, on another scholarship, and was graduated in 1923 with a Bachelor of Arts degree.

He then returned to Case on a fellowship and took a Bachelor of Science degree in 1925, after compiling the highest scholastic record in his class. He spent the next year at Yale University, on a teaching fellowship, and earned a Master of Science degree.

Mr. Lindseth's first association with the company he was later to head came in 1924, when he worked as a boiler test helper during his summer vacation. He was a junior tester when he joined the company in 1926.

While at Yale he received a "break" which proved important in his later career. He assisted Walter Wohlenberg, now dean of engineering at Yale, in the preparation of a highly technical paper on boiler radiation. Mr. Wohlenberg presented the paper at a meeting of the American Society of Mechanical Engineers, but he permitted Mr. Lindseth to answer questions from the audience. Among the listeners was the chief power plant engineer of the Illuminating Company, where Mr. Lindseth was already working.

Within a year Mr. Lindseth was promoted to production engineer, a job in which he remained for 10 years, charged with devising methods and machinery for improving power plant operation. During this period, electric companies around the country achieved notable advances in operating procedures, including loading of turbines for maximum effectiveness and economy. At the Illuminating Company, Mr. Lindseth figured prominently in this work.

In 1937 his advancement accelerated. That year he was appointed assistant to the executive engineer. Thereafter he received promotions to technical assistant to the president in 1939, to assistant to the president in 1941, to vice-president in charge of sales in 1942, and to executive vice-president in 1945. Within a few months after he took the latter post, the president died and Mr. Lindseth was elected to the top spot.

Mr. Lindseth now heads a company with 5,600 employees, $250,000,000 in assets, 35,000 stockholders and 400,000 customers. It has received nation-wide recognition in the public utility field for its promotion of the Cleveland area as "The Best Location in the Nation."

Mr. Lindseth strongly believes in community-building by electric companies. He sees that his company, as an organization, gives its full share of leadership and support in civic service and welfare work, and he encourages all employees to do their individual parts in advancing the common welfare.

Mr. Lindseth was married in 1930 to Anne E. Fluckey. They have three children. Their home is at 21187 Sydenham Road, Shaker Heights, Ohio.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 12	89.1	91.8	96.2	96.1
Equivalent to—					
Steel ingots and castings (net tons)	June 12	1,642,600	1,692,300	1,773,500	1,732,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	May 28	4,897,000	4,903,900	4,922,050	5,451,650
Crude runs to stills—daily average (bbls.)	May 28	¶5,297,000	5,307,000	5,273,000	§5,715,000
Gasoline output (bbls.)	May 28	18,324,000	18,230,000	17,969,000	§17,827,000
Kerosene output (bbls.)	May 28	1,550,000	1,776,000	1,837,000	§2,144,000
Gas oil and distillate fuel oil output (bbls.	May 28	5,943,000	6,177,000	6,681,000	§7,054,000
Residual fuel oil output (bbls.)	May 28	8,144,000	8,354,000	8,185,000	§9,508,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines —					
Finished and unfinished gasoline (bbls.) at	May 28	120,661,000	*120,797,000	124,787,000	§107,185,000
Kerosene (bbls.) at	May 28	20,953,000	20,664,000	18,922,000	§15,250,000
Gas oil and distillate fuel oil (bbls.) at	May 28	55,971,000	*54,351,000	49,959,000	§38,641,000
Residual fuel oil (bbls.) at	May 28	63,758,000	*63,474,000	60,174,000	§55,146,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 28	784,824	773,911	785,444	904,75
Revenue freight received from connections (number of cars)	May 28	616,995	609,454	624,740	713,01
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 2	$123,055,000	$193,679,000	$129,266,000	$135,055,000
Private construction	June 2	46,779,000	95,840,000	51,233,000	91,229,000
Public construction	June 2	76,276,000	97,839,000	78,033,000	43,826,000
State and municipal	June 2	66,170,000	72,728,000	56,865,000	37,338,000
Federal	June 2	10,106,000	25,111,000	21,168,000	6,488,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 28	11,315,000	11,135,000	11,560,000	13,669,000
Pennsylvania anthracite (tons)	May 28	1,179,000	1,050,000	963,000	1,198,000
Beehive coke (tons)	May 28	121,400	*133,300	147,000	139,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 28	274	280	286	29
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 4	5,018,270	5,270,161	5,283,592	4,845,458
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	June 2	165	206	193	9
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 31	‡3.705c	‡3.705c	‡3.705c	3.211c
Pig iron (per gross ton)	May 31	$45.91	$45.91	$46.13	$40.5
Scrap steel (per gross ton)	May 31	$21.75	$22.08	$23.08	$40.6
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 1	17.325c	17.325c	19.700c	21.200c
Export refinery at	June 1	17.550c	17.800c	19.925c	21.450c
Straits tin (New York) at	June 1	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	June 1	12.000c	13.000c	15.000c	17.500c
Lead (St. Louis) at	June 1	11.850c	12.850c	14.800c	17.300c
Zinc (East St. Louis) at	June 1	11.000c	11.000c	12.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 7	101.61	101.59	101.60	101.50
Average corporate	June 7	113.12	113.12	113.31	113.31
Aaa	June 7	118.80	118.60	119.00	118.0
Aa	June 7	117.40	117.40	117.40	116.0
A	June 7	112.37	112.56	112.37	112.5
Baa	June 7	104.83	105.00	105.00	106.9
Railroad Group	June 7	107.98	108.34	108.34	108.70
Public Utilities Group	June 7	114.27	114.27	114.08	114.2
Industrials Group	June 7	117.40	117.20	117.40	117.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 7	2.38	2.38	2.39	2.39
Average corporate	June 7	3.00	3.00	2.99	2.99
Aaa	June 7	2.71	2.72	2.70	2.75
Aa	June 7	2.78	2.78	2.78	2.85
A	June 7	3.04	3.03	3.04	3.0
Baa	June 7	3.46	3.45	3.45	3.34
Railroad Group	June 7	3.28	3.26	3.26	3.24
Public Utilities Group	June 7	2.94	2.94	2.95	2.94
Industrials Group	June 7	2.78	2.79	2.78	2.80
MOODY'S COMMODITY INDEX	June 7	339.1	343.1	344.7	425.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	June 4	219.7	219.2	213.7	238.8
Fats and oils	June 4	141.2	142.9	148.4	285.4
Farm products	June 4	233.7	234.8	228.5	267.0
Cotton	June 4	309.1	309.2	313.7	357.5
Grains	June 4	188.0	203.6	203.4	266.1
Livestock	June 4	236.3	233.3	221.8	259.2
Fuels	June 4	213.1	218.5	223.1	231.4
Miscellaneous commodities	June 4	162.4	153.7	164.2	175.5
Textiles	June 4	185.2	186.1	187.9	213.7
Metals	June 4	169.7	171.1	176.0	165.2
Building materials	June 4	212.4	212.5	213.0	229.9
Chemicals and drugs	June 4	137.6	137.6	137.6	158.6
Fertilizer materials	June 4	141.1	142.8	142.9	134.2
Fertilizers	June 4	150.5	150.5	150.5	143.8
Farm machinery	June 4	155.8	155.8	153.1	139.4
All groups combined	June 4	203.6	205.0	203.3	224.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 28	149,534	140,189	153,079	180,297
Production (tons)	May 28	157,613	161,307	161,559	191,650
Percentage of activity	May 28	77	77	80	100
Unfilled orders (tons) at	May 28	238,745	248,992	260,331	352,013
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	June 3	129.4	*130.2	132.6	147.2
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 31	156.1	156.5	155.2	164.6
Farm products	May 31	173.7	174.5	168.3	191.5
Foods	May 31	165.9	165.6	161.8	177.3
All commodities other than farm and foods	May 31	145.8	146.2	147.1	149.5
Textile products	May 31	135.5	136.1	139.1	151.8
Fuel and lighting materials	May 31	130.5	130.6	130.4	132.8
Metals and metal products	May 31	167.3	167.5	169.3	157.8
Building materials	May 31	192.2	193.4	195.4	197.3
All other	May 31	128.7	129.3	129.2	135.3
Special indexes—					
Grains	May 31	149.9	164.1	162.2	211.9
Livestock	May 31	224.3	210.9	198.9	247.6
Meats	May 31	239.3	231.3	222.3	266.0
Hides and skins	May 31	189.6	190.0	186.7	213.1

*Revised figure. ¶Includes 457,000 barrels of foreign crude runs. §Not comparable with other periods which are on new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. The composite under the old method this week would have been 3.73330c per pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of March	54,852	49,749	51,874
Stocks of aluminum—short tons—end of Mar.	11,786	15,101	8,423
AMERICAN GAS ASSOCIATION—For month of April:			
Total gas (M therms)	2,925,046	3,295,609	2,831,944
Natural gas sales (M therms)	2,626,031	2,948,987	2,539,553
Manufactured gas sales (M therms)	200,459	227,127	202,306
Mixed gas sales (M therms)	98,556	119,495	90,085
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (bbls. of 42-gallons each)	174,738,000	162,600,000	179,889,000
Domestic crude oil output (bbls.)	161,955,000	150,519,000	167,593,000
Natural gasoline output (bbls.)	12,772,000	12,070,000	12,268,000
Benzol output (bbls.)	11,000	11,000	28,000
Crude oil imports (bbls.)	11,085,000	12,363,000	8,682,000
Refined products imports (bbls.)	5,107,000	4,354,000	5,966,000
Indicated consumption—domestic and export (bbls.)	190,375,000	173,576,000	193,262,000
Increase—all stock (bbls.)	555,000	5,741,000	1,275,000
CARBON BLACK (BUREAU OF MINES)—Month of April:			
Production (lbs.)	107,237,000	110,996,000	108,169,000
Shipments (lbs.)	89,608,000	101,839,000	97,832,000
Producers' stocks (lbs.)	156,406,000	138,777,000	92,028,000
Exports (lbs.)	Not Avail.	31,400,000	21,668,000
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	6,396,540	6,394,863	4,737,822
Oven coke (net tons)	5,760,570	5,957,666	4,490,766
Beehive coke (net tons)	635,970	437,197	247,056
Oven coke stocks at end of month (net tons)	1,472,537	1,312,975	646,281
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:			
Cotton Seed—			
Received at mills (tons)	93,651	114,775	50,713
Crushed (tons)	472,689	519,611	326,096
Stocks (tons) March 31	880,944	1,259,982	502,956
Crude Oil—			
Stocks (pounds) March 31	184,758,000	198,729,000	87,096,000
Produced (pounds)	153,918,000	167,157,000	105,162,000
Shipped (pounds)	163,886,000	153,279,000	124,393,000
Refined Oil—			
Stocks (pounds) March 31	242,512,000	220,937,000	182,206,000
Produced (pounds)	150,595,000	141,105,000	123,628,000
Consumption (pounds)	133,361,000	122,995,000	105,985,000
Cake and Meal—			
Stocks (tons) March 31	95,907	92,253	86,060
Produced (tons)	209,422	231,639	154,380
Shipped (tons)	205,768	239,683	153,467
Hulls—			
Stocks (tons) March 31	108,196	100,611	43,100
Produced (tons)	111,223	121,960	72,782
Shipped (tons)	103,638	119,306	86,187
Linters—running bales—			
Stocks March 31	213,422	205,668	161,288
Produced	143,704	159,448	104,427
Shipped	135,950	172,645	124,410
Hull Fiber (1,000-lb. bales)—			
Stocks March 31	1,489	1,082	718
Produced	1,425	1,349	1,698
Shipped	1,018	1,182	2,521
Motes, grabbots, etc. (1,000-lb. bales)—			
Stocks March 31	11,883	12,532	20,000
Produced	2,548	2,818	4,179
Shipped	3,197	2,458	3,025
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of March (000's omitted)	20,881,657	21,142,721	19,969,400
Revenue from ultimate customers—month of March	$382,149,900	$389,526,800	$354,843,800
Number of ultimate customers at Mar. 31	41,174,157	41,029,007	38,899,580
METAL OUTPUT (BUREAU OF MINES)—Month of March:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	77,759	*56,746	74,092
Gold (in fine ounces)	149,142	*116,458	153,302
Lead (in short tons)	38,757	*33,245	35,889
Silver (in fine ounces)	3,308,272	*2,802,676	3,406,238
Zinc (in short tons)	59,148	*52,419	54,989
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of May:			
Copper (per pound)—			
Electrolytic, domestic refinery	17.763c	21.450c	21.200c
Electrolytic, export refinery	18.019c	21.692c	21.554c
Lead (per pound)—			
Common, New York	13.720c	15.154c	17.500c
Common St. Louis	13.562c	14.958c	17.300c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	71.500c	71.500c	74.625c
Silver, London (pence per ounce)	43.500d	43.500d	45.000d
Sterling Exchange (Check)	$4.02690	$4.02655	$4.02738
Zinc (per pound)—East St. Louis	11.880c	14.058c	12.000c
Tin (per pound)—			
New York Straits	103.000c	103.000c	94.000c
New York, 99% min. (§§)	102.000c	102.000c	93.500c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$82.200	$84.654	$74.160
¶Antimony (per pound) (E. & M. J.)	41.730c	41.730c	36.722c
Antimony (per pound), bulk, Laredo	38.500c	38.500c	33.560c
Antimony (per pound), in cases, Laredo	39.000c	39.000c	34.060c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$72.000	$72.000	$98.000
†Cadmium (per pound)	$2.00000	$2.00000	$1.75000
‡Cadmium (per pound)	$2.07500	$2.07500	$1.77500
§Cadmium (per pound)	$2.15000	$2.15000	$1.80000
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	Not Avail.
PORTLAND CEMENT (BUREAU OF MINES)—Month of April:			
Production (bbls.)	17,662,000	15,439,000	16,041,000
Shipments from mills (bbls.)	17,779,000	14,539,000	19,047,000
Stocks (at end of month) (bbls.)	23,007,000	23,104,000	17,880,000
Capacity used	85%	74%	80%
RR. EARNINGS — CLASS I ROADS (ASSOC. OF AMER. RRS.)—Month of April:			
Total operating revenues	$747,259,313	$739,058,115	$728,968,959
Total operating expenses	594,269,852	587,933,263	585,625,470
Operating ratio—per cent	79.53	79.55	80.34
Taxes	$74,794,116	$72,339,986	$75,356,189
Net railway operating income before charges	64,759,903	65,417,192	53,168,256
Net income after charges (est.)	40,000,000	41,900,000	27,500,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colbourne, N. S. U. S. duty included. §§Tin contained.

The Business Picture

(Continued from page 2)

try—it is evident—is only in its infancy.

I could cite many other examples. The fields of metal alloys, of plastics and other synthetic materials, of heating and temperature-control devices, of home equipment in general — to name only a few — appear to be at the threshold of developments which may result in replacing many common products now in daily use. Experiments with the new light metal, titanium, for example, indicate that a structural material equal in importance with aluminum or stainless steel may be about to come onto the market.

We do not know exactly what forms these new developments will take in the years ahead. But we can be sure that new industries will appear which will be as important to our future economic development as the great industrial enterprises which have grown up during the past 50 years.

Heavy Construction Expenditure

Moreover, we have, right now, the plant and equipment for moving ahead. American business has invested the enormous sum of $75 billion in new construction and new equipment since the war ended. This means that business is now in an excellent position to put the new techniques and new processes to good use. With aggressive leadership, new and improved products will help retain old markets, and will uncover new ones.

As was to be expected, the rate of investment has slackened a little this year. But published reports on plans for further capital expenditure, this year and next, show that American industry is continuing to invest in the future of this country in amounts which are still far beyond anything experienced in the years before the war.

In short, the basic factors in our national picture today boil down to just this:

We have the opportunities—in our expanding needs, in our resources, and in our people.

We have the techniques.

We have the equipment.

And, finally, we have the buying power. That is a crucial factor, and I should like to discuss it a little further at this point.

Take employment and incomes, to begin with. In April, the number of people working was within one percent of the number employed in the record-breaking Spring of 1948. And currently people in this country are earning money at the rate of about $214 billion a year—4% higher than a year ago, and within 3% of the all-time peak of last December.

It is an American custom, of course, to try to outdo the other fellow. That is why record-breaking figures are always news. But, in the period since the war, we actually became so used to new business records — month after month, and year after year—that our failure to keep making new highs during 1949 became the headline news of the year. The remarkable performance of American business in operating at close to peak levels, after three years of unprecedented output, was brushed aside.

This performance, however, is the real news of the year. And it has been accomplished without any impairment of our financial strength.

It is remarkable — when we look back on it—that the pressure to buy or stock everything that could be turned out in three record-breaking years of peacetime activity failed to result either in over-extended credit or in a dissipation of assets. Throughout the reconversion period, businessmen — and I include bankers—have been on the lookout for unhealthy signs. Their very caution has tended to keep the situation under control.

Good Portion of Financial Institutions

The current position of our great financial institutions is an excellent example. As you will recall, there have been times in the past, following periods of active business, when frozen assets were a serious problem. Today, these problems are absent. There are virtually no excessive speculative positions to liquidate. On the contrary, holdings of cash and short-term Federal securities are at impressive levels.

In your own field of commercial banking, as you are well aware, caution and good judgment have prevented the over-extension of inflationary credit which characterized some earlier periods of easy sales and large profits.

I am very much impressed—and I am sure that thoughtful people throughout the country were likewise impressed — with the results of the voluntary credit control program of the American Bankers Association last year. When it looked as if the loan situation might get out of hand, you people had the energy and backbone to do something about it; and the whole country, is reaping the benefit. I know that American bankers will continue their record of good banking performance, now that conditions have changed and the situation in the business and financial world is returning to something more like normal.

American business in many sectors of the economy has exercised good judgment since the end of the war; and, in many cases, it has been with the aid and assistance of you people in the banking field. Agriculture is one example that readily comes to mind. Bankers in many communities in this region have particularly close ties with agriculture; and I know that you are gratified, as I am, with the sound financial condition in the agricultural portion of our economy as a whole. Farmers of this country have $20 billion of liquid assets; that is, their cash, their demand deposits, their savings accounts, and their Federal Government securities. This is a tremendous figure. It is nearly eight or nine times the entire agricultural income of the nation 15 or 16 years ago. Another bright point is the relatively small volume of farm mortgage debt. The total of $5 billion is actually lower than it was at the beginning of the war. The entire farm situation is in striking contrast to the experience during and after World War I.

I have singled out the farmers, merely for purposes of illustration. The same is true with respect to the liquid asset position of individuals as a group. It is equally strong concerning business corporations and financial institutions.

Savings at $200 Billion

The total liquid savings of all individuals, including farmers, are currently estimated at over $200 billion—an amount which is more than four times the entire national income in the mid-1930s. About $67 billion of this amount is in savings accounts. Something like $43 billion is in checking accounts. Individual holdings of Federal securities amount to a little over $68 billion, and $22 billion is in currency.

We have to remember, moreover, that the $200 billion total figure for the liquid savings of individuals is not a complete picture of their asset position. In addition, individuals have very substantial savings in the form of of insurance, equities in unincorporated business, securities of private corporations, obligations of State and local governments, and so on.

The figures on liquid assets alone, however, represent a tremendous backlog of funds available for future spending. They drive home the fact that whenever there is reluctance on the part of buyers as at the present, it is not primarily the result of a lack of money to purchase. The hesitancy this year reflects rather, a new determination on the part of all of us to get our money's worth.

Business enterprise in this country, prior to the war, always operated in an economy of abundance. Techniques were constantly being improved, and new products better than last year's models were constantly coming onto the market. The result was that the American consumer occupied the driver's seat. It is not surprising that, today, he is enjoying the feeling of the resumption of his former position.

Certainly, this return to normal conditions should not dismay our alert businessmen. Better than anyone else in the world, we know how to get out and sell. Private enterprise in this country has always operated best in response to the challenge of competition.

I have taken a good deal of time in discussing the business picture, because I believe that the spotlight has too often been played on the readjustments going on this year, and too seldom on the reassuring features of the current business outlook.

My confidence in our future comes from a close analysis of economic factors which warrant this conclusion. Not the least of these factors is American intelligence, and the determination to develop opportunities for increased production and distribution of goods and services. The economic development of the United States and of every nation has been built upon the vision and confidence of its people.

Our opportunities for national economic progress and for sustained high prosperity are tremendous. Our financial and economic position is basically sound. With the application of reasonably intelligence and foresight, I believe that we have every reason to face the future with confidence and enthusiasm.

Staten Island Edison Bonds Placed on Market

Halsey, Stuart & Co. Inc. (as sole underwriters) offered to the public June 3 $2,750,000 Staten Island Edison Corp. first mortgage bonds, 2⅞% series due May 1, 1979, at 101.719% and accrued interest. The issue was awarded June 1 on a bid of 101.289.

Of the proceeds, $1,500,000 will be applied to the payment of an equal face amount of short-term notes outstanding. These notes were issued to refund other short-term notes, the proceeds of which were used for new construction. The balance of short-term notes outstanding, in the amount of $250,000, will simultaneously be paid out of general corporate funds. The remaining $1,250,000 of the proceeds will be used in connection with the company's construction program.

The new bonds will be redeemable at regular redemption prices ranging from 104.72% to 100% and at special redemption prices scaled from 101.719% to 100%.

With Wm. S. Beeken Co.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Alan L. Shaw has become affiliated with William S. Beeken Co., Harvey Bldg.

Observations

(Continued from page 5)

1947 and 1948, our company earned almost $13 per share after taxes. To be exact, the figure was $12.93 per share. Against this, $2.95 were declared in dividends for those two years. In other words, approximately $10 per share after taxes were earned and not declared and yet, with the first evidence of bad business, dividends are reduced now to $0.25 per share.

"May I not reiterate what I said in my first letter to you, and that is, that had management held a larger stock interest, there would be a greater desire to protect the interests of the stockholders? From the last proxy statement, I find that the entire Board of Directors own approximately 3,000 shares of stock —just a little more than my family and I own.

"It is extremely distressing to find that a company which has over $34 per share in current assets in excess of current liabilities and which has earned almost $13 a share in the last two years and has only declared a little more than 22% of the earned income as dividends, should be forced to reduce its dividends with the first signs of diminishing business. In the good old days, when there was no SEC and when there was a modest amount of government regulation, responsible bankers and dependable industrial leaders would store up earnings in the good years so that stockholders would not suffer during bad years.

"It seems to me that what your company has done is not only harmful to the company, but sets a very unfortunate example to industry generally. It has become quite fashionable for business leaders to get up at conventions and gatherings and discuss the great value of our capitalistic system, or let us call it 'the profit incentive' system. If there is anything which is going to cause a breakdown in our capitalistic system, it is the arbitrary and selfish conduct of management. An indifferent attitude on the part of management in the past has necessitated the creation of strong labor unions and Federal regulation. A total disregard of the interests of stockholders by management is apt to engender forces which will defeat our entire capitalistic system.

"Why do you believe that there is a total indifference on the part of the public towards purchasing stocks at attractive bankruptcy values? Just because investors have seen company after company do exactly what the ______ ________ Company has done now. Conduct of this nature will defeat the capitalistic system much quicker than will labor unions, taxes and other regulative measures. These measures become necessary because of the total indifference of management.

"I regret that I must write to you in the spirit that I have, but, frankly, I thought that your company is pursuing methods which you so frequently see in cases where management owns little or no stock, but conducts the company as if it belongs entirely to management.

"Very truly yours,

"______ ________."

"P.S.—If the financial exigencies of the company have demanded a reduction in dividends of almost 40%, I trust that the officers have equally seen the wisdom of reducing their salaries, bonuses and pensions."

* * *

Joining our irate stockholders in their "double-standard" charges against management, as contained in the above "P.S.," is the laboring man. In his present embroglios with the motor companies Mr. Walter Reuther is accusing them of pursuing a double-standard in favoring the highly-paid officials with pensions and insurance while discriminating against the rank-and-file union members.

Assuredly management is being pushed onto the defensive!

* * *

Ownership and Control

The other item which concurrently came to our desk is an analysis of directors' shareholdings contained in an article "Remote Control" in the current issue of "Forbes Magazine of Business." The tabulation, modeled along the lines of a more complete study by Brevoort Stout, and published in the Investment Counsel Annual of 1939, shows the common stock ownership of the boards of directors of 30 of our largest and best-known industrial companies. This table shows the widest possible variations throughout the financial world. Total board holdings vary from over 2,000,000 shares down to 1,210 shares, the equivalent of from .03% to 11% of the outstanding stock; and with like variations in individual director's stake in their business similarly varying from sizable to negligible amounts (with many zeros included).

* * *

Cynical Note

Since writing the above we have run across the following very relevant cynical (unwittingly?) tid-bit in the gossip-column of one of our esteemed contemporaries:

"Financial quarters have noted that the management of the Kansas City Southern holds substantial amounts of common stock. It is said that despite the possibility of a moderate decrease in earnings this year below last year's record of $21 a share, the $4 annual dividend is 'secure.'"

With First Cleveland

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, OHIO—Mary E. M. Apuli is now associated with the First Cleveland Corp. She was formerly with The S. T. Jackson & Co., Inc.

With S. R. Livingstone

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Merle F. Boucher has become affiliated with S. R. Livingstone & Co., Penobscot Bldg., members of the Detroit Stock Exchange.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

NORTH PLATTE, NEB.—George H. Kellogg has joined the staff of Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

Remer, Mitchell Add Two

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John C. Hardy and Robert J. Rodenkirch are now connected with Remer, Mitchell, 208 South La Salle Street.

The Safety of Risk

(Continued from page 15)

your money into bonds—tax exempts if possible. You'll have more money to pay your bills and send your boys to college that way than if you put your money into American industry."

And that same force operates also on industry itself. Since new equity capital is so hard to find, going corporations have, as the one alternative to debt financing, the financing of their expansion, as far as possible, out of retained earnings. So the proportion of corporate earnings distributed to stockholders in dividends dropped from 69% in 1929 to about 40% in 1948. This trend serves to aggravate the situation, so far as risk capital is concerned.

What Can Be Done

About the first of these forces—the shift in income distribution—nothing can or should be done. About the second, much can be done through education. The New York Stock Exchange is seeking to develop a broader understanding of investment matters, especially of common stocks, among wage earners, salary earners, farmers and others who have not formed the habit of investment.

What about the third force—the tax structure? Can we meet that part of the problem in a way to yield sound results quickly? I think we can. There are many inequities in the tax structure that tend to keep people from risking their capital. They are fairly well known. I refer, first, to double taxation of dividends—taxing them both as the income of the corporation and as the income of the stockholder; second, to the capital gains tax. Both dam up the flow of risk capital. Both are serious, but, of the two, I think the capital gains tax is the simplest to remedy and I think the remedy would bring quick results. If Congress will reduce the six months holding period now necessary to establish a long-term capital gain and at the same time reduce the tax, the effect immediately will be to release a substantial amount of risk capital and, many competent tax men believe, actually increase the tax yield to the government.

Capital Gains Taxation Should Be Abolished

Time should not, of course, be the determining factor in deciding whether a commitment is a speculation or an investment. As you know, under the present law, a capital gain taken within a six months period is treated as income and comes under the progressive income tax in many cases. The result is that most investors hold their commitments beyond the six months period in order to gain a tax advantage. A six months holding period is particularly burdensome in a time of unstable conditions all over the world.

The yield from the capital gains tax has always been small. For "chicken feed" the Government has clung to a tax established in the 1920's and which, in fact, is a capital levy, and which has no place in a free economy. Originally, the objective of the capital gains tax was revenue. Later on, it became more or less embedded in the tax structure as a means of "soaking the rich." This was, and is, ridiculous for, by making the acceptance of gains optional, you cannot levy on the rich through a capital gains tax. All you can do is to deter the taxpayer from selling an old capital asset or putting money into a new one. You can stop him from using his own best judgment and thereby needlessly interfere with the functioning of a free market. The investor who finds that he cannot use his own judgment because of an arbitrary time factor, becomes apathetic in regard to risk-taking and finds shelter, as I have said before, in tax-exempt securities.

The strangest thing of all is that the United States, which is now the remaining hope of the capitalistic world, is the only country which taxes capital gains. They are not taxed in the United Kingdom, Canada, France, Holland or Belgium.

The only significant exception was Nazi Germany and the Nazis, frankly, looked upon a capital gains tax as a capital levy, which it is. They forced such taxes on the occupied countries during the war. In France, for example, the first movement was a 33% tax on all capital gains with no distinction as to a holding period. The tax had to be repeatedly modified in order to maintain any semblance of stability in the French economy. It finally ended as a 10% levy on goods held less than three months and no tax beyond the three months period. Even Socialist Great Britain has made no move to tax capital gains because the government believes it will hinder the already heavily-burdened economy.

The Congress should get down to realities on capital gains. If they are to be regarded as income, then capital losses should be fully deductible from income. If they are not income, they should not be taxed as such. If the objective is revenue, as it should be, the present system does not make sense. Modification would, in the long-run, benefit the Treasury, the American economic system and the people.

Capital gains taxation is not confined to those who own stocks. Millions of our citizens who have never owned a share of stock have felt the heavy hand of capital gains taxation during and since the war. For example, Mr. Jones sells his house for $16,000 and pays a $3,000 tax on the profit realized. He needs another place to live, perhaps in another city to which he has had to move, and finds he must pay $16,000 for a new home of the same quality as the one he sold. He has not improved his position in any way and the experience has cost him $3,000.

We require a tax system which does not dry up the sources of equity capital or reduce the incentive to invest. As I said before, there are certain things we can do and certain things we cannot. There are, however, certain changes than can be made now—a realistic treatment of capital gains and relief from double taxation of the investor. These changes should be made without unnecessary delay. They will mean benefit to the tax-payer, increased revenue for the government, and new sources of capital for industry that seeks to expand, thus creating new jobs and new opportunities.

Three Join Staff of E. F. Hutton in L. A.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Jacques Scholle, Herbert Holmes and Ralph T. Chace have become associated with E. F. Hutton & Co., 623 South Spring Street. Mr. Scholle and Mr. Chace were formerly with Buckley Brothers. In the past Mr. Scholle was with Gearhart & Co. and J. Arthur Warner & Co. in New York City.

Courts & Co. Adds

(Special to The Financial Chronicle)

ATLANTA, GA.—Earl W. Baggerly, Jr., has been added to the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

Present Opposing Views On Funds for SEC

(Continued from page 16)

doubtless demonstrate that employees of the Commission are not entirely devoid of the same desire.

Decline in Corporate Securities Registrations

In recently attempting to justify restoration of its budget to a higher figure, the SEC stated to your Committee, "One of the most important things we do for the investor — and for business — is to examine registration statements for new issues of securities. . . ." The SEC statement went on to say, "In (the fiscal year) 1948 . . . we processed $6.40 billion of financing. . . ."

This figure is highly misleading, as will be seen from the following information taken from the SEC's Annual Report for the fiscal year 1948. The dollar amount of registered securities actually offered for cash sale during this period was $4.00 billion, not $6.40 billion.

Examination and interpretation of the following figures, which are compiled from the SEC's own periodical Statistical Bulletins and which are for the calendar year 1948 (not the fiscal year), will illustrate what a limited role the SEC is playing in the new securities field:

Unregistered new securities offered for cash—	
U. S. Government and Government Guaranteed	$10,326,937,000
State and Municipal	2,707,369,000
Corporate—Privately Placed with Institutional Investors	2,686,835,000
Railroad, Etc.	784,136,000
Total Unregistered	$16,505,277,000
Registered new securities offered for cash	3,215,581,000
Grand Total	$19,720,858,000

It is clear from these figures, that, of the new securities offered for cash in the United States last year, only 16% were registered with the SEC.

Hundreds of securities dealers honestly and efficiently handled the sale of 4,000 to 5,000 issues of state and municipal bonds, aggregating $2,707,369,000, without let or hindrance from the SEC, which is barred by statute from interference in this type of financing.

Similarly, hundreds of securities dealers participated in upwards of $600,000,000 of railroad financing, which is the preserve of the Interstate Commerce Commission and, therefore, is not subject to the SEC's jurisdiction.

Of the $3,215,581,000 of new securities registered with the SEC and offered for cash sale in 1948, $825,000,000 were accounted for by the Bell Telephone system alone and $1,165,265,550 by 26 other large corporations. This $1,990,265,550 of financing was covered by 42 so-called registration statements, and was made up of issues totaling $20,000,000 or more. In other words, 62% of the new financing that cleared the SEC in 1948 was covered by 40 registration statements filed by 26 companies and the Bell Telephone system.

According to the SEC's own statistics, the total number of effective registrations in 1948 was 398, including a substantial but undisclosed number of registrations for purposes other than for cash sale. So the remaining $1,225,315,450, or 38%, of the registered securities offered for cash were for the account of less than 371 companies.

There are more than 420,000 corporations in the United States. Yet less than 400 of them—that is, less than 1/10 of 1%—were willing to subject themselves to the ordeal of SEC registration.

Approximately 375 other companies, to escape the necessity of SEC registration, sold some $2,500,000,000 of their securities privately to large purchasers, chiefly insurance companies and banks.

Approximately 1,000 other companies took advantage of the exemption from SEC registration of issues less than $300,000 and offered securities totaling $135,673,000 for cash in 1948.

Decline in Public Investment

A study I have made of gambling in the United States indicates that between $9,000,000,000 and $10,000,000,000 are annually involved in race track betting, the numbers racket and bingo. The startling fact thus is that the American people in 1948 staked three times as much money on gambling, most of it illegal, as they invested in securities that were registered with the SEC and offered for cash.

From figures compiled by the SEC, it appears that 97% of all new securities offered for cash last year were bonds, notes and preferred stocks, while common stock offerings represented a mere 3% of the total.

Why are the capital markets stagnant? Why are the corporations unwilling or unable to register their securities with the SEC? Why has equity financing practically disappeared? Why do the people prefer repeated two-dollar long shots at the race tracks to investments or speculations in the securities of basic industrial companies? Unthinkable as it is, the richest country in the world has fallen to this low estate largely through the contrivance of the SEC, under the noble guise of "protecting the investor," of course.

Prospectuses Require Tremendous Detail

A company that proposes to invite investors to put money into its securities is subjected by the SEC to an unbelievable ordeal. The company must file with the Commission an elaborate registration statement and prospectus that may run to hundreds and hundreds of pages. The tremendous detail in these documents is never read by anyone but the corporation lawyers who prepare them and the SEC bureaucrats who require their preparation. The average investor, on whose behalf all this material is supposedly assembled, simply does not have time to read it, and furthermore, would not take time if he did.

Only the big corporations can afford to hire the high priced talent and take the endless time needed to furnish the answers to the SEC's thousand and one foolish questions. The cost of preparing to register even a small issue of securities is in the neighborhood of $50,000, while on the biggest ones it may run as high as $500,000. Thus it is now nigh well impossible for the smaller companies to raise money by the traditional method of selling securities to the public.

Plight of Common Stockholders

If the prospects for new issues of securities are not bright, the plight of those already in the hands of the public is perhaps even more gloomy. For a concrete example, take the existing common stock of Youngstown Sheet & Tube, one of Ohio's many great steel companies. The company is ably managed and has a long history of success. Yet the aggregate market value of its stock, $102,000,000, is $17,000,000 less than the total of its cash, government bonds, receivables and inventories, after all of its indebtedness has been deducted. In other words, its huge network of physical properties and facilities—its steel plants, iron ore mines and coal properties—have less than no value as far as the price at which its securities are selling in the market is concerned, although these modern mills and mines could not be replaced for $800,000,000 at today's costs.

Suppose, however, that some merchant of securities considered that Youngstown Sheet & Tube common was a bargain, and decided to buy some of it to redistribute to investors. If, in the process of the securities dealer's buying, the market on the stock advanced slightly, as it would doubtless do, the SEC would promptly accuse the dealer of committing a crime and would threaten him with imprisonment.

Obviously new common stock cannot be sold to raise capital to increase steel capacity, when present common stock is selling in the market at give-away prices. And this is but a single example of one company in one industry. The same is true of the stocks of countless companies in many industries.

Even a company that is not considering the sale of securities, but merely wishes to communicate with its stockholders, is put through the mill by the SEC. A routine proxy statement falls afoul of the same manhandling by the army of SEC bureaucrats as is accorded registration statements and prospectuses.

Does Not Protect Investors

To justify a huge appropriation, the SEC repeatedly infers that its activities can protect investors from losses. This claim, as the SEC well knows, is highly erroneous. Not all the fly-specking by all of the Commission's lawyers and technicians can affect the merits of an issue of bonds or stock one jot or iota.

Take the case of a highly publicized Cleveland company that filed a registration statement covering 550,000 shares of common stock with the SEC in May, 1946. After thorough processing by the SEC, the stock was cleared by the Commission for offering to the public at $17 a share in July, under the auspices of some of the most distinguished New York investment banking houses. The stock has now dropped to approximately $1 a share, so that the total shrinkage in the market value of the 550,000 shares in question stands at the round figure of $8,800,000.

The moral of this story is that the success or failure of a company and the fortune or misfortune of the purchasers of its securities does not depend on the thoroughness with which the SEC reviews its registration statement. In a democratic economy like ours, people like to make their own business decisions, and are not disposed to assume the role of inmates, with the SEC as keeper.

SEC Is Overstaffed

The Report of the House Committee on Appropriations notes that the SEC is overstaffed in the District of Columbia. It is my firm belief that if every member of the Commission's staff did a full day's work every day, the SEC would handle its work more efficiently and better in the public interest with the personnel of its Washington office cut in two and the regional offices eliminated completely.

Much of the SEC's work overlaps with and duplicates that of other Federal, state and municipal agencies. New issues of securities, for instance, must be qualified with state blue sky commissions as well as the SEC. The Federal Power Commission deals with electric and gas com-

(Continued on page 48)

Present Opposing Views On Funds for SEC

(Continued from page 47)

panies and the Federal Communications Commission with telephone, telegraph and radio companies. Brokers and dealers are subject to rigorous regulations by state blue sky commissions, the various stock exchanges and the National Association of Securities Dealers, for whose operations the dealers themselves are assessed half a million dollars annually. Where the question of crime or fraud arises, the Department of Justice, with its nationwide network of offices, operates on the Federal scene, while county and district attorneys act locally. Engaged in the gathering of business statistics are not only public bodies like the Federal Reserve Board, the Treasury Department, the Commerce Department and the Labor Department, but numerous expert private organizations.

The SEC's 10 regional offices are the most glaring example of the Commission's multiplication of superfluous personnel. These offices were established 11 years ago on the premise that they would have full power to handle all matters in their respective regions without reference to Washington. With the furnishing of essential money to industry at almost a standstill, the regional offices have never had much to do, so that all authority has been taken away from them and transferred back to Washington. Nevertheless, the SEC has extravagantly continued to maintain the regional offices, with their full quota of payroll padders, who have nothing more important to keep them occupied than shuffling papers back and forth from Washington.

A reduction of approximately $1,600,000 could be made in the SEC's appropriation by elimination of the regional offices. A further saving of some $1,750,000 could be effected by lopping off the superfluous legal assistants to the Commissioners and by halving the personnel of the grossly overmanned Divisions of Corporate Finance, Trading & Exchanges, Public Utilities and Administrative Services, as well as the personnel devoted to so-called "staff functions." These combined reductions, totaling $3,350,000, would bring the SEC's appropriation down from the inflated $5,970,000 figure originally suggested by the Commission to a more realistic, although still high, level of $2,620,000.

Your Committee will fully appreciate that the SEC is not responsible to, or for that matter responsive to, the legislative branch of the government except as it comes to Congress for funds. The millions of dollars with which the SEC has been furnished over the years have increasingly been consumed by the Commission in thwarting the efforts of business, especially small business, to raise capital funds through the conventional investment banking channels. If private business and private property are not to be eliminated entirely from the American scene, then Congress ought to cut the SEC's appropriation to the point where the Commission will be unable to hurtle the nation headlong on to this final calamity.

The Independent Offices Appropriations Bill for the 1950 fiscal year calls for authorizations of $7,500,000,000, which is more than twice the $3,215,581,000 of new corporate securities that were registered with the SEC and offered for cash in 1948. Substantial cuts in government expenditures for regulatory agencies, beginning with the suggested slash in the SEC's budget, would give the greatest encouragement to private business.

Chairman Hanrahan's Testimony

In answering the foregoing statement of Mr. Eaton, Commissioner Hanrahan emphasized that "Mr. Eaton and his firm have for the past year and more been engaged with the Commission in certain litigation which arose out of abortive $10,000,000 common stock offering by the Kaiser-Frazer Corporation in February, 1948." Mr. Hanrahan also pointed out that "Mr. Eaton has never before challenged the Commission's appropriation." After seeking to impress the subcommittee with the need for the original request for funds for his agency ($6,121,000), which has already been cut by the House of Representatives by $371,000, Commissioner Hanrahan denied the statement by Mr. Eaton that the cost of registering securities with the SEC made it almost impossible for smaller companies to raise money by the traditional method of selling securities to the public.

"We have had frequent occasion to point out," Mr. Hanrahan told the subcommittee, "that by far the greater portion of the cost of flotation, particularly in the case of small issues, consists of the underwriters' commissions and discounts."

Using figures for 1945 through 1947, Mr. Hanrahan contended that the average cost of flotation for the 47 registered issues of $50,000 000 or more was 1.15% and (going to the other extreme) the cost of flotation for 19 registered issues of $500,000 or less was 21.9%, mostly in underwriting commissions and discounts.

These facts, Mr. Hanrahan emphasized that it was not the registration restrictions that was the cause of high costs in floating securities. "In the case of the issues of $50,000,000 or over," Mr. Hanrahan added, "the underwriters' commissions and discounts averaged only 0.75%, whereas the average for the issues of $500,000 or less was 17.7%. In other words, although these percentages have in general decreased since the enactment of the Securities Act of 1933, about 80% of the total cost of flotation is attributable to underwriters' commissions and discounts.

"The relatively high cost of flotation of small issues is undeniably a problem," Mr. Hanrahan admitted, but contended "it is also entirely a problem of higher underwriting expenses, rather than registration under the Securities Act."

Mr. Hanrahan characterized the request by Mr. Eaton that the SEC abolish regional offices as a threat to making "virtually impossible" administer and enforcement of the Securities and Exchange Acts passed by Congress. He also refuted the statement by Mr. Eaton that the trend toward private placements of bond issues instead of public offerings of securities was the direct result of a desire to avoid registrations under the Securities Act." Here the problem was one that had little or no relation to the Securities Act," he said.

"We are firmly of the opinion," Mr. Hanrahan stated, "that the preference for private placements on the part of many corporations, whose securities are of a quality that makes them attractive to insurance companies and other institutional investors, is due primarily to the fact that these institutions are under constant pressure to find investment media for the huge and ever-increasing funds which they handle. Consequently they are willing to buy bonds which yield a rate so low as hardly to be attractive to many private investors."

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Aeronca Aircraft Corp., Middletown, Ohio
May 25 (letter of notification) 26,000 shares ($1 par) common, $50,000 convertible 4% promissory notes and 33,333 shares $1 par common issuable upon conversion of notes. No underwriter. For general working capital. Office, Municipal Airport, Middletown, Ohio.

Allied Western Oil Corp., New York
May 17 (letter of notification) 1,200,000 shares of common stock (par 1c). **Underwriter**—Atlantic Securities Co., 699 Madison Ave., New York. **Price**—25c per share. Drilling of wells, acquisition of oil leases, etc.

• Alps Mining & Milling Co., Missoula, Mont.
June 2 (letter of notification) 100,000 shares (5¢ par) common. **Price**—50¢ per share. No underwriter. To complete mill, purchase equipment and carry on development work. Office, P. O. Box 745, Missoula, Mont.

American Fork Consolidated Mines, Salt Lake City, Utah
May 9 (letter of notification) 400,000 shares of capital stock. Price 25 cents per share. **Underwriter**—Cromer Brokerage Co., Salt Lake City. For mining development.

American Light & Traction Co.
May 13 filed 634,667 shares of common stock (par $25). **Offering**—United Light & Railways Co. (parent), is offering to its stockholders of record June 1 the right to subscribe for the 634,667 shares of American at $12 per share on a 1-for-5 ratio. Rights will expire July 1. **Underwriter**—None. The proposed sale is to conform with SEC order under the Holding Company Act which calls for United's sale of American Light stock holdings.

American Telephone & Telegraph Co.
April 21 filed between $393,000,000 and $400,000,000 ten-year 3⅛% convertible debentures, due June 20, 1959. **Offering**—Offered for subscription by stockholders of record May 6 at the rate of $100 debenture for each six shares of capital stock held at par (flat). Rights expire June 20. **Underwriting**—None. **Proceeds**—For advances to subsidiary and associated companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes.

• Bankers National Insurance Co., Phoenix, Ariz.
May 27 (letter of notification) 10,000 shares ($1 par) common stock. **Price**—$10 per share. No underwriter. Proceeds will be deposited with the State Treasurer of Arizona, in accordance with the Arizona Benefit Insurance Stock Corporation Act of 1947. Office, 309 Goodrich Bldg., Phoenix, Ariz.

• Botany Mills, Inc., Passaic, N. J.
May 31 (letter of notification) 2,200 shares of common stock. To be sold through May & Gannon, Boston, on the over-the-counter market on behalf of Raymond S. Bartlett, a director.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. **Price**—20 cents per share. **Underwriter**—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

Bridgeport (Conn.) Hydraulic Co. (7/1)
April 26 filed 36,000 shares of common stock (par $20). **Underwriters**—Smith, Ramsey & Co., Gaynor, Clemence & Co., Chas. W. Scranton & Co., Hincks Bros. & Co., T. W. Watson & Co. **Offering**—Offered for subscription by stockholders of record June 6 on a 1-for-10 basis, with rights expiring June 30. **Price**—$26.75 per share. **Proceeds**—To reduce short-term bank loans.

Carnegie Mines Ltd., Montreal, Canada
April 27 filed 500,000 shares of common. **Price**—60 cents per share. **Underwriters** — Name by amendment. **Proceeds** — For working capital, exploration, development and other purposes.

• Casino Mining & Milling Co.
May 11 (letter of notification) $46,000 of five-year (non-interest) notes and 460,000 shares (5¢ par) common. The common shares will be issued to persons lending money to company as bonus stock at the rate of one share for each 10¢ of money loaned. No underwriter. To develop and operate mining property; existing debts and loans will be paid off. Office, 2907 Summitview Avenue, Yakima, Wash.

Central Arizona Light & Power Co. (6/15)
May 26 filed 80,000 shares ($50 par) cumulative preferred. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc. **Proceeds**—To pay $1,000,000 outstanding construction loans and for new construction. Expected June 15.

Central Fibre Products Co., Inc.
May 6 (letter of notification) 3,000 shares of non-voting common ($5 par). Price, $22 per share. **Underwriter**—Bosworth, Sullivan & Co., Denver, Colo. Proceeds to selling stockholders.

Central Illinois Public Service Co. (6/10)
May 23 filed 446,000 shares ($10 par) common stock. Offering—To be offered to stockholders on a one-for-five basis. **Underwriter**—The First Boston Corp. **Proceeds**—For construction. Expected June 10.

Colorado Central Power Co. (6/16)
May 26 filed 21,429 shares ($10 par) common. **Offering**—To be offered to stockholders of record June 10, 1949, at rate of 1-for-2½. **Underwriters**—The First Boston Corp., Dean Witter & Co., Bosworth, Sullivan & Co.; Boettcher & Co. and Woodcock, Hess & Co., Inc. **Proceeds**—For construction. Expected June 16.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Offering expected later in June.

• Consolidated Engineering Corp., Pasadena, California
June 3 (letter of notification) 300 shares ($1 par) common. Price, market. **Underwriter**—Hopkins, Harbach & Co., Los Angeles. Working capital.

Consolidated Gas Electric Light & Power Co. of Baltimore (6/28)
May 18 filed 219,546 shares of common stock (no par). **Offering**—Offered for subscription by stockholders of record June 2 in a 1-for-6 ratio. Rights expire June 27. **Underwriters**—The First Boston Corp.; Alex. Brown & Sons; John C. Legg & Co. **Price**—$60 a share. **Proceeds**—To finance company's construction program.

• Dalies Oil Co., Inc.
May 27 (letter of notification) 35,000 shares of common (par $1). Price, par. No underwriter. To complete drilling of oil well. Office, care of C. W. Carr, P. O. Box 155, Los Lunas, N. Mex.

• Emerson Radio & Phonograph Corp.
June 7 filed 235,000 shares of capital stock. **Underwriter**—F. Eberstadt & Co., Inc. The terms and price of the offering have not yet been determined, but the stock will not be sold below the market price on the New York Stock Exchange at the time of the offering. **Proceeds**—The shares to be sold are from holdings of Mrs. Benjamin Abrams, Mrs. Max Abrams and Mrs. Louis Abrams, wives of principal officers and directors of the company, and do not involve new financing by the company. Following sale of the shares, the Abrams family will own approximately 25% of the company's 800,000 shares of common stock.

NEW ISSUE CALENDAR

June 9, 1949

Chicago Rock Island & Pacific RR.
Noon (CDT)________________Equip. Trust Ctfs.

June 10, 1949

Central Illinois Public Service Co.______Common

June 13, 1949

Southwestern Gas & Electric Co.
11 a.m. (CDT)____________Bonds and Preferred

June 14, 1949

New York State Electric & Gas Corp.
Noon (EDT)________________________Preferred

June 15, 1949

Central Arizona Light & Power Co.________Preferred
Chicago Burlington & Quincy RR.__Equip. Tr. Ctfs.
Pacific Western Oil Corp.____________Debentures
Scott Paper Co.________________________Preferred
Staten Island Edison Corp., noon (EDT)__Preferred

June 16, 1949

Colorado Central Power Co.______________Common

June 20, 1949

Public Service Co. of New Hampshire______Bonds
Tennessee Gas Transmission Co.___________Bonds

June 21, 1949

Florida Power & Light Co._______________Bonds
Foote Mineral Co._______________________Common
Michigan Consolidated Gas Co.________Debentures

June 22, 1949

Southern Pacific Co., noon (EDT)__Equip. Tr. Ctfs.

June 23, 1949

Portland General Electric Co.____________Common

June 27, 1949

Pennsylvania Power & Light Co.__________Common

June 28, 1949

Consolidated Gas Electric Light &
Power Co. of Baltimore__________________Common

July 1, 1949

Bridgeport Hydraulic Co._________________Common

July 7, 1949

Atlantic Coast Line RR.________Equip. Trust Ctfs.

Florida Power & Light Co. (6/21)
May 20 filed $10,000,000 first mortgage bonds, due June 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Harriman Ripley & Co.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Bros.; The First Boston Corp.; Carl M. Loeb; Rhoades & Co. and Bear, Stearns & Co. (jointly); Shields & Co. **Proceeds**—To pay off $3,200,000 of short-term borrowings from Central Hanover Bank & Trust Co. and for construction and other corporate purposes. Expected about June 21.

Foote Mineral Co., Philadelphia (6/21)
May 26 (letter of notification) 7,798 shares of common stock (par $2.50). Offered for subscription by common stockholders of record June 7 on a 1-for-6 basis. Rights expire June 20. **Underwriter**—Estabrook & Co. Price (market), between $26 and $28.50 per share. Plant expansion and working capital.

Gauley Mountain Coal Co., New York
Jan. 19, filed 10,666 shares of capital stock, of which 1,381 shares will be sold in behalf of the company and 9,285 shares will be sold by Norgreen Associates Inc. and others. Price at market. **Underwriting**—None. **Proceeds**—Company will use its proceeds for additional working capital.

● **Goodyear Mortgage Corp., Charlotte, N. C.**
May 25 (letter of notification) $250,000 debenture notes of not less than five years nor more than 10-year maturity. No underwriter. For extension of present business. Office, 317 South Tryon Street, Charlotte, N. C.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—(Names by amendment) will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

● **Gulf Life Insurance Co., Jacksonville, Fla.**
June 3 (letter of notification) 600 shares of common stock. **Price**—$100 per share. **Underwriter**—A. M. Kidder & Co. Proceeds to selling stockholder.

● **Hardy (J. Herschel), Ashland, Wis.**
June 2 (letter of notification) $28,800 of notes. No underwriter. For note payments and working capital. Office, care of Knight Hotel, Ashland, Wis.

Harwill, Inc., St. Charles, Mich.
May 9 (letter of notification) 3,000 shares of common (par $1). Price, par. **Underwriter**—Charles E. Bailey & Co., Detroit.

● **Hilton Hotels Corp., Los Angeles**
May 31 (letter of notification) not more than 1,000 shares ($50 par) convertible preference stock. Price to public, $38 per share. No underwriter. Proceeds to selling stockholder.

Horwood Lake Gold Mines Corp.
Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Houston Lighting & Power Co.
May 31 filed an alternative to issue $15,360,450 2¾% convertible debentures, due June 30, 1964 or 307,209 shares (no par) common. **Offering**—Common stockholders of record June 22 will be entitled to subscribe to either one share of common at $40 per share for each four shares held or to $50 principal amount of debentures for cash at 100 of principal amount for each four shares held. Rights expire July 11. **Underwriter**—Kidder, Peabody & Co. **Proceeds**—To repay short-term bank loans of about $4,000,000 made or to be made from The National Bank of Commerce of Houston and to finance construction.

● **Hunt County Agricultural Association, Greenville, Texas**
May 31 (letter of notification) 1,000 shares of common (par $50). Price, par. No underwriter. To provide land, on lease, and a building for a county fair. Office, 2903 Lee Street, Greenville, Texas.

● **Independent Plow, Inc., Neodesha, Kan.**
May 31 (letter of notification) 1,000 shares of preferred (par $100) and 25,360 shares ($1 par) common. **Underwriter**—McDonald, Evans & Co., Kansas City, Mo. For working capital.

● **Indianapolis (Ind.) Public Loan Co., Inc.**
May 25 (letter of notification) $170,000 of 5% sinking fund debentures, 1964 series. **Underwriter**—City Securities Corp., Indianapolis, Ind. To reduce the amount of notes payable to bank.

Kaman Aircraft Corp., Windsor, Locks, Conn.
May 23 filed 170,456 shares of class A non-voting common stock (10c per share non-cumulative dividend) and 11,362 shares of class B voting common stock. Price, $5.50 per share. **Underwriter**—None. **Purpose**—To acquire machinery, tools and equipment; to buy land and buildings; to produce 30 helicopters and accessories; to complete engineering changes; to setup sales and service departments; and to train service personnel.

Kansas Gas & Electric Co.
May 16 filed 550,000 shares of common stock (no par) of which American Power & Light Co. (parent) will sell 450,000 shares. **Underwriter**—Exemption from competitive bidding is sought in connection with this offering. If competitive bidding probable bidders include: Union Securities Corp.; Blyth & Co., Inc. and the First Boston Corp., (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder Peabody & Co. (jointly); White, Weld & Co. **Proceeds** — Kansas Gas will use proceeds of 100,000 shares to pay for part of its construction program and to repay short-term bank loans from Guaranty Trust Co. of New York and eight Kansas banks.

Keller Motors Corp., Huntsville, Ala.
May 10 filed 5,000,000 shares (3c par) common. **Underwriter**—Greenfield, Lax & Co., Inc., New York. **Price**—$1 per share. **Proceeds**—For plant facilities, equipment and working capital to manufacture a low-priced, medium-sized station wagon.

● **Liquid Carbonic Corp., Chicago.**
June 2 (letter of notification) 2,000 shares of common stock. **Price**—$15 per share. **Underwriter**—Walston, Hoffman & Goodwin. Proceeds to selling stockholder.

● **Lyons (I. L.) & Co., Ltd., New Orleans, La.**
June 7 filed voting trust certificates for not less than 2,000 of the 3,666 outstanding shares of capital stock which have been deposited under the voting trust agreement. Statement was filed to cover the remaining outstanding shares the holders of which are entitled to deposit their shares.

Maumee Oil Corp., Toledo, Ohio
May 12 filed 8,000 shares (no par) common, of which only about 2,614 shares will be offered publicly at $100 per share. No underwriter. For general working capital. SEC held hearing June 6 to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

● **Messenger Corp., Auburn, Ind.**
May 25 (letter of notification) 6,000 shares of 6% cumulative convertible preferred (par $25). Price, par. Convertible into common stock at $10 per share. **Underwriters**—The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago.

Michigan Consolidated Gas Co. (6/21)
June 1 filed $25,000,000 sinking fund debentures, due July 1, 1967. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: White, Weld & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Smith, Barney & Co. **Proceeds**—For payment of $3,500,000 of promissory notes, payment of the redemption price of 40,000 shares of outstanding 4¾% cumulative preferred, payment of principal and premium of about $7,300,000 of promissory notes of its subsidiary (Austin Field Pipe Line Co.) and for construction. Expected about June 21.

Missouri Utilities Co., Cape Girardeau, Mo.
May 26 filed 51,184 shares ($1 par) common. **Offering**—To be offered to stockholders on one-for-four basis. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo. **Proceeds**—For construction.

● **Mutual Telephone Co. (Hawaii)**
June 7 filed 150,000 shares ($10 par) convertible preferred stock, series B. **Offering**—To be offered initially to holders of the common stock, in the ratio of one preferred share for each five of common held. **Underwriter**—Kidder, Peabody & Co. **Proceeds** — Proceeds will be used for construction and expansion which in 1949 will involve expenditure of about $4,340,500.

● **Neville Corp., New York.**
June 2 (letter of notification) 5,000 shares of common stock (no par). **Price**—1,000 shares at $1 a share; 2,000 shares at $2 a share; 2,000 shares at $3 a share. **Underwriting**—None. To expand production, etc.

● **New England Power Co., Boston**
June 3 filed $5,000,000 of series C bonds due July 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co.; Lehman Brothers; Harriman Ripley & Co. Company also plans to sell 160,000 shares of common ($20 par) to its parent, New England Electric System, at $25 per share. **Proceeds**—Proceeds of the bond and stock sale will be used to pay off $5,324,700 of bank loans obtained for construction and to provide money for construction expenditures expected to be made.

New York State Electric & Gas Corp. (6/14)
May 16 filed 40,000 shares ($100 par) cumulative preferred stock **Underwriter** — Names to be determined through competitive bidding. Probable bidders: W. C. Langley & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. **Proceeds**—To be applied to the discharge of presently outstanding $4,000,000 of short-term notes and for new construction. **Bids**—Bids for purchase of stock will be received by company at Room 735, 11 Broad Street, New York, N. Y., up to noon (EDT) June 14.

● **Old Dominion Motors, Inc., Alexandria, Va.**
May 31 (letter of notification) 100,000 shares of first preferred (par $1). Price, par. No underwriter. For working capital and expansion.

● **Pacific Gas & Electric Co.**
May 31 filed $80,000,000 first and refunding mortgage bonds, series S, due June 1, 1983. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Proceeds**—For construction.

Pacific Western Oil Corp. (6/15)
May 20 filed $15,000,000 15-year debentures, due June 1, 1964. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—To repay a $10,500,000 note held by Guaranty Trust Co. of New York, to repay Guaranty Trust Co. balance due on certain advances made under a credit agreement to acquire from Labouchere & Co. shares of Tide Water Associated Oil Co. common stock and for development purposes.

Pay Rock Oil, Inc., Tulsa, Okla.
May 3 (letter of notification) 900,000 shares of common stock. Price, 30 cents per share. **Underwriter**—Security Royalties, Inc. For the repurchase of stock of the corporation under offer of rescission and for operating expenses.

● **Pennsylvania Power & Light Co. (6/27)**
June 7 filed 415,983 shares (no par) common. **Offering**—To be offered to common stockholders of record June 27, at the rate of one for seven shares held. Employees will be allowed to buy unsubscribed shares, up to not more than 150 shares each. **Underwriters** — Drexel & Co. and The First Boston Corp. head a group who will purchase stock not otherwise acquired by stockholders or employees. **Proceeds**—For construction.

● **People's Broadcasting Co., Minneapolis**
May 31 (letter of notification) 575 shares of common. **Price**—$100 per share. No underwriter. To buy land site for transmitter and tower and other expenses needed to put station on air and to provide working capital. Office, 604 Morgan Avenue South, Minneapolis, Minn.

● **Petroleum Technologists, Inc., Montebello, Calif.**
June 3 (letter of notification) 20,000 shares of common (par $1) and $80,000 5% unsecured notes. No underwriter. To obtain a laboratory, equipment and materials. Office, 368 Truck Avenue, Montebello, Calif.

● **Portland (Ore.) General Electric Co. (6/23)**
June 3 filed 251,033 shares of common stock (no par). **Underwriter**—Blyth & Co., Inc. **Proceeds**—To finance in part company's construction program. Expected about June 23.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—To be named by amendment. **Proceeds**—For administration expenses and drilling.

● **Practical Enterprises, Ltd., Brooklyn, N. Y.**
May 31 (letter of notification) $150,000 8% debenture notes, due June 8, 1954. Price, par. **Underwriting**—None. Working capital. Office, 105 Court Street, Brooklyn, N. Y.

Public Service Co. of New Hampshire
May 9 filed 104,804 shares of common stock (par $10). **Offering**—To be offered to stockholders on a one-for-eight basis. New England Public Service Co. (parent), holder of 58.88% of the outstanding common stock of Public Service will surrender for cancellation the warrants evidencing its preemptive right to subscribe for 61,732 shares of common stock to which it is entitled and will not subscribe to any of the new common stock. Common stockholders will be entitled to purchase shares in excess of their ratable allotment; and holders of the company's preferred stock will be offered a similar opportunity to subcribe to the new, unsubscribed shares. **Proceeds**—For construction and repayment of short-term bank borrowings. **Underwriters**—Names by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly) Harriman Ripley & Co.. **Bids**—Bids will be received by the company at its office at 1087 Elm Street, Manchester, N. H., up to noon (EDT) on such date as the company shall specify

(Continued on page 50)

(Continued from page 49)

by telegraphic notice to each prospective bidder, or the representative of each group of prospective bidders, who has filed questionnaires as required. Such date will be not earlier than the second day (exclusive of Saturdays, Sundays and holidays) after the sending of such notice.

Public Service Co. of New Hampshire (6/20)
May 18 filed $4,000,000 first mortgage bonds, series E, due 1979. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp. and Coffin & Burr Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Smith, Barney & Co. and Harriman Ripley & Co. (jointly). **Proceeds**—For construction, including repayment of short-term borrowings for such purposes. Expected about June 20.

● **Rialta Holding Co., Summit, N. J.**
May 31 (letter of notification) 300 shares of capital stock. **Price**—$50 per share. **Underwriting**—None. **Corporate purposes.** Office, 382 Springfield Avenue, Summit, N. J.

● **Rocky Mountain Kennel Club, Colorado Springs, Colorado**
June 2 (letter of notification) 1,505 shares of preferred (par $100). **Price**—$100 per share. No underwriter. To purchase track site, to build grandstand, kennels, track and club house and for working capital. Office, 1510 W. Cheyenne Road, Colorado Springs, Colo.

Sandy Hill Iron & Brass Works, Hudson Falls, N. Y.
May 18 (letter of notification) 50,000 shares class A participating preferred stock, nonconvertible (par $4). **Price**—$5 per share. **Underwriter**—Office of John L. Nolan, Inc., Glen Falls, N. Y. Working capital, etc.

Scott Paper Co., Chester, Pa. (6/15)
May 26 filed 45,000 cumulative preferred shares (no par). **Underwriters**—Drexel & Co.; Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane. Offering price and dividend rate by amendment. **Proceeds**—To pay off outstanding bank loans and to augment company's funds which are to be applied in part to general corporate purposes and in part to company's current program of improvements and additions to plant and equipment.

● **Silver Gold Lode Mining Co., Spokane, Wash.**
May 31 (letter of notification) 244,308 shares (10c par) common stock. **Price**—50¢ per share. No underwriter. To secure machinery and equipment, to develop mine and for working capital. Office, 711 Hutton Building, Spokane, Wash.

● **Sound Cities Gas & Oil Co., Inc., Seattle, Wash.**
June 2 (letter of notification) 25,000 shares of class A common (par $1). Price, par. No underwriter. To maintain office and provide labor as needed. Office, 3242 Eastlake Avenue, Seattle, Wash.

Southern Natural Gas Co., Birmingham, Ala.
May 13 filed 141,858 shares ($7.50 par) common stock. **Offering**—Stockholders of record June 6 are given the right to subscribe for the stock on a 1-for-10 basis at $26 per share. Rights expire June 28. **Underwriter**—None. **Proceeds**—For construction and for additional common stock investment in Southern's subsidiary, Alabama Gas Corp.

● **Southern New England Telephone Co.**
June 2 filed 400,000 shares of capital stock. **Offering**—To be offered for subscription by stockholders of record June 21 at rate of 1-for-6 held at $25 per share. **Underwriting**—None. **Proceeds**—To repay about $4,500,000 in advances from American Telephone & Telegraph Co. with the balance to be added to general funds for construction.

Southern Union Gas Co., Dallas Texas
May 9 filed $3,679,464 3½% sinking fund debentures, due July 1, 1964, and 306,622 shares $1 cumulative preference common stock (par $1) under a proposal to merge with Texas Public Service Co. Stockholders of the latter company will receive $12 of debentures and one share of preference for each share of Texas Public Service common. Of the preference being registered 18,378 shares will be offered at $18 per share, the proceeds to be used by Southern Union to pay for expenses of merger. **Underwriter**—E. H. Rollins & Sons, Inc.

● **Southwest Lumber Mills, Inc., McNary, Ariz.**
May 31 (letter of notification) $300,000 of 5% convertible subordinated 10-year notes. **Underwriter**—E. W. Thomas & Co., 135 S. La Salle Street, Chicago, has agreed to purchase at a discount of 3½% all securities not taken by the stockholders or this group (directors and stockholders) up to a maximum of $100,000 of the securities to be issued. **Proceeds**—To restore working capital.

Southwestern Gas & Electric Co. (6/13)
May 20 filed $4,500,000 first mortgage bonds, series C, due June 1, 1979, and 25,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders include: Blyth & Co., Inc., and Stone & Webster Securities Corp. (jointly); Lehman Brothers; Halsey, Stuart & Co. Inc. (bonds); White, Weld & Co.; Harriman Ripley & Co.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction and to prepay $2,000,000 of bank notes. **Bids**—Company will receive separate bids for the purchase from it of the securities. Bids will be received up to 11 a.m. (CDT) June 13 at 20 North Wacker Drive, Chicago.

● **Stanley Home Products, Inc., Westfield, Mass.**
June 1 (letter of notification) 3,500 shares of nonvoting ($1 par) common shares. **Price**—$35 per share. **Underwriter**—Paine, Webber, Jackson & Curtis. Net proceeds from the sale of the 5,650 shares will be used in redeeming company's real estate mortgage notes and the proceeds of 2,850 shares go to selling stockholders.

Staten Island (N. Y.) Edison Corp. (6/15)
May 9 filed 40,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: W. C. Langley & Co.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp. **Proceeds**—To pay off short-term notes and for construction. **Bids**—Bids for the purchase of the stock will be received up to noon (EDT) June 15 at Room 2601, 61 Broadway, New York.

Suburban Gas Service, Inc., Ontario, Calif.
March 31 (letter of notification) 4,000 shares ($25 par) series B preferred and 20,000 shares ($1 par) common—issuable upon conversion of preferred. **Price**—Preferred $25 per share. **Underwriters**—Wagenseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

● **Sudore Gold Mines Ltd., Toronto, Canada**
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

● **Supreme Products Co., Camden, S. C.**
May 31 (letter of notification) 500 shares of common stock. **Price**—$50 per share. No underwriter. To increase working capital.

● **Taylor All-Metals Concentrator, Inc., Helena, Montana**
May 27 (letter of notification) 200,000 shares of common. **Price**—20¢ per share. To buy and manufacture equipment and for other expenses. **Underwriting**—None.

Tennessee Gas Transmission Co. (6/20)
May 24 filed $50,000,000 first mortgage pipeline bonds, due 1969. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Halsey, Stuart & Co. Inc. **Proceeds**—To be used from time to time, along with other cash resources, for expansion of company's natural gas pipeline system. Expected June 20.

● **Tool-Rite Machine Co., Inc., Denver, Colo.**
May 27 (letter of notification) 20,000 shares ($1 par) common. **Price**—$2 per share. No underwriter. To buy raw materials, to carry on work and an adequate inventory and to finance advertising. Office, 5351 Monroe Street, Denver, Colo.

Trans Caribbean Air Cargo Lines, Inc.
May 25 (letter of notification) $150,000 7% convertible equipment trust certificates, series C, due Sept. 1, 1952. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. Price, par. To pay unpaid balance of $44,474 owing on chattel mortgages covering two aircraft, and $90,000 to complete conversion, etc., on another aircraft, etc.

● **U. S. Gold Corp., Seattle, Wash.**
May 24 (letter of notification) 200,000 shares (10¢ par) common nonassessable stock. **Price**—50¢ per share. No underwriter. To explore, develop and purchase equipment for opening up and mining claims.

● **Universal Laboratories, Inc., New York**
June 6 (letter of notification) 26,287.6 shares of 5% cumulative convertible preferred stock (par $10). To be issued in exchange for 23,573 outstanding 60¢ cumulative preferred stock (no par) of Sleight Metallic Co. of Illinois, Inc., in ratio of 6 Universal for 5 Sleight stock. The latter stock may be presented for exchange at any time on or before Dec. 31, 1949.

Upper Peninsula Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9) **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

● **West Coast Electronics Co., Los Angeles, Calif.**
June 2 (letter of notification) 125,000 shares of capital stock. **Price**—$1 per share. No underwriter. For working capital and to liquidate indebtedness. Office, 1601 South Burlington Avenue, Los Angeles 6, Calif.

Western American Life Insurance Co., Reno
March 30 filed 12,500 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

Western Oil Fields, Inc., Denver, Colo.
May 19 (letter of notification) 800,000 shares of common capital. Price, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver, Colo. For working capital and drilling of wells.

Wichman Philippine Mindanao Development Co., Cebu City, Philippine Islands
Jan. 5 filed 2,000,000 shares of voting capital stock, one centavo par value. **Price**—25 cents per share (U. S. currency). **Underwriter**—F. T. Andrews & Co. **Proceeds**—To provide funds for plant construction, diamond drilling, exploration and repayment of loans.

Wiegand (Edwin L.) Co., Pittsburgh
Sept. 28 filed 200,000 shares (no par) common stock. **Underwriter**—Hemphill, Noyes & Co., New York. Price, by amendment. **Proceeds**—Will go to selling stockholders. Offering postponed.

● **Willcox & Gibbs Sewing Machine Co., New York.**
June 6 (letter of notification) 6,000 shares of 5% cumulative convertible preferred stock, series B (par $50). To be offered for subscription by common stockholders of record June 28 at $50 per share in ratio of one preferred for each 25 common shares held. Rights expire 5 p.m. (EDT) July 15. **Underwriting**—None. Subscriptions payable to Central Hanover Bank & Trust Co., 70 Broadway, New York. To pay bank loans ($250,000), working capital.

Prospective Offerings

● **American Light & Traction Co.**
June 2 reported company contemplates the sale of additional common stock to assist in financing expansion of its subsidiaries. While no definite plan has been worked out, the management states that during 1949 and from time to time after this year it may be necessary, for the parent to sell additional common shares to assist its subsidiaries.

The next sale of stock probably will be by American Natural Gas Co., if stockholders at the annual meeting June 15 approve the change in name from American Light & Traction Co. Preliminary to new financing, stockholders also will be asked at the annual meeting to change the authorized common shares from a $25 par value into an equal number of common shares without par value. This move would facilitate the proposed program as the New Jersey law, under which the company was chartered, prohibits the company from selling its common stock at less than par value. A change to no par would give more flexibility to future financing.

The proxy statement also hints that some future financing might include securities convertible into common stock.

● **Atlantic Coast Fisheries Co.**
June 20 stockholders will vote on approving an additional issue of 92,744 shares of common stock to be offered to present holders on the basis of one new share for four present shares held. The company has 370,977 shares outstanding.

Atlantic Coast Line RR. (7/7)
May 24 reported company plans the sale July 7 of $8,685,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Baltimore & Ohio RR.
May 18 reported company is expected to be in the market this month for the sale of about $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly).

Chicago Burlington & Quincy RR. (6/15)
May 24 company asked ICC for authority to issue $2,060,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers. Expected about June 15.

Chicago Rock Island & Pacific RR. (6/9)
Company will receive bids at its office, Room 1136, La Salle Street Station, Chicago, up to noon (CDT) June 9 for the purchase of $3,120,000 equipment trust certificates, series E, dated July 1, 1949, due in 24 equal semi-annual instalments from Jan. 1, 1950-July 1, 1961. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Dayton Power & Light Co.**
June 7 reported some additional financing may be necessary by company in the next few months. The company it is said will have to obtain new money to pay off $5,000,000 in short-term bank loans and to finance part of its $10,800,000 construction program. The amount and form of this financing has not yet been decided.

● **Middle South Utilities Co.**
June 3 reported Electric Bond & Share Co. plans sale at competitive bidding of 800,000 shares of common stock (no par). Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Dillon, Read & Co., Inc.

● **St. Joseph (Mo.) Light & Power Co.**
June 3 company filed an application with the SEC requesting permission to issue and sell at competitive bidding $4,750,000 of first mortgage bonds, due 1979. In addition, company seeks authorization to amend its charter so as to provide for an increase of authorized common stock from 45,000 shares ($100 par) to 600,000 shares (no par). Of the new common, 212,579 shares would be issued to parent, Continental Gas & Electric Corp., in exchange for Continental's holdings of 40,409 shares of the present stock. St. Joseph also proposes to sell Continental an additional 105,213 shares of the new stock for $2,000,000 cash. The aggregate of 317,792 shares of new no par value common stock of St. Joseph to be issued to Continental will permit the latter to distribute 457½ shares of the St. Joseph common to Continental's minority stockholders upon the liquidation of Continental. It also will give the United Light and Rys. Co., parent of Continental, sufficient common stock of St. Joseph to permit the distribution of one share of St. Joseph stock for each 10 shares of United's common stock in the liquidation of the latter company.

St. Joseph expects to use the proceeds of the bond sale for property additions. Probable bidders include Halsey, Stuart & Co. Inc.

● **Southern Pacific Co. (6/22)**
The company is inviting bids for the purchase of $12,480,000 equipment trust certificates, series BB, to mature in 15 equal annual instalments. All bids must be received at the office of J. A. Simpson, Treasurer, Room 2117, 165 Broadway, New York, at or before noon (EDT) on June 22. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers; The First Boston Corp.; Salomon Bros. & Hutzler.

Our Reporter's Report

In contrast with the situation that developed some months back on the occasion of one of its offerings, this week's sale of $75,000,000 of new 30-year first and refunding bonds by the Public Service Electric & Gas Co. proved a smooth operation.

The bids of three large banking groups which sought the business indicated quite clearly that their thinking with regards to rating, marketability and value were almost identical, making it apparent to the company, even at a glance that this was the consensus of investment banking opinion as regarded its securities.

Certainly few, if any, corporate undertakings have been marked by closer calculation on the part of the bidding bankers. The winning bid was 100.68 for a 2⅞% coupon. There was a differential of only 6.1 cents between it and the next bid of 100.619 while the third, and lowest bid of 100.611 was less than seven cents under the top.

The best bid yielded the company an indicated premium of about $510,000 whereas it would have realized $464,250 had the second bid won and $458,250 had the third bid been the highest.

Preoffering inquiry for the bonds at the reoffering price of 101¼, indicated that well over half of the total issue had been spoken for between the time of award and clearance by the Securities and Exchange Commission.

At least one of the large New York insurance companies, and a large commercial bank were among the prospective buyers along with a big Canadian institutional investor.

Nine Mills Per $100

Speaking of competition, it just can't get any keener than it became in the race for Virginia Electric & Power Co.'s $20,000,000 of first and refunding bonds.

In this instance, with a total of six bids being received, it developed that a spread of a mere nine mills per $100 separated the runners-up from the winner.

The bid which took the issue 101.12 for a 2⅞% interest rate, while the next best of five competing bids was 101.111 for the same rate. Thereafter bids ranged all the way down to a low of 100.7179.

Two Industrial Issues

Bankers came to market this week with two industrial undertakings, one a preferred stock issue, and the other, expected out today, an offering of common stock.

Caterpillar Tractor Co.'s $25,000,000 of new cumulative preferred stock, carrying a 4.20% dividend rate, was brought out on Tuesday at par, and was reported meeting fair inquiry despite the heaviness of the seasoned market. Proceeds will be used to liquidate bank loans.

Another group was reported prepared to bring out today 150,000 shares of $1 par capital stock of Clinton Industries, Inc., to provide the company with additional working capital.

Competition vs. Negotiation

Some firms in the underwriting business, including certain of the sizable organizations, are disposed to shy away from competitive bidding when it involves large-scale undertakings.

They argue that the bond market is narrow in its own way at the moment, just like the stock market. There is a limited field of potential buyers, these observers point out, and if they are receptive you're all right. But, if they are not interested, well you've just got another dud.

As an official of one such concern put it, "we are satisfied to keep our money working in negotiated undertakings such as good 'standby' deals, where we have a better knowledge of the situation, even though here too, there is considerable work involved."

With Arnold Cassidy Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William J. Case, Jr., is now with Arnold, Cassidy & Co., 448 South Hill Street.

Morgan Stanley-Drexel Group Offers Public Service Electric Bonds

Morgan Stanley & Co. and Drexel & Co. jointly head an underwriting group that offered publicly June 8 $75 000,000 Public Service Electric and Gas Co. first and refunding mortgage bonds, 2⅞% series due 1979 at 101¼% and accrued interest. The group was awarded the bonds at competitive sale on a bid of 100.68.

Proceeds will partly reimburse the company for expenditures made for additions and improvements to its property since Dec. 31, 1941, and for disbursements made to provide funds for the payment at maturity of certain bonds of predecessor companies and to pay in advance of maturity the $20,000,000 of the company's 2-2¼% bank loans due Sept. 10, 1950.

R. S. Dickson Co. Adds

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Edmund A. Little has become connected with R. S. Dickson & Co., Inc., Capital Club Bldg.

Caterpillar Tractor Preferred on Market

A syndicate headed by Blyth & Co., Inc., offered publicly June 7, 250,000 shares of 4.20% cumulative preferred stock of Caterpillar Tractor Co. at an offering price of $100 per share, plus accrued dividends from May 10, 1949.

Proceeds from the sale of the new preferred stock will be used in part to pay off outstanding bank loans totaling $21,000,000. Upon completion of the present financing, capitalization of the company will consist of $20,000,000 of 10-year 2% debentures due May 1, 1956; 250,000 shares of 4.20% cumulative preferred stock and 3,764,480 shares of common stock.

The principal executive offices of the company are located in Peoria and the corporate offices in San Leandro, Calif.

With Paine, Webber Co.

BEVERLY HILLS, CAL.—Elias H. Kron has been added to the staff of Paine, Webber, Jackson & Curtis, 364 North Camden Drive.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—With the offering of the proposed "Economic Expansion Act of 1949," drafted by the most militant lefties of the Truman Administration and sponsored by a handful of the lefties of the Senate, something new has been added to the technique of promoting the planned economy.

That something new is a package of two precedent-shattering approaches.

The first of these is that the grand design for the planned economy was offered for sale direct to the public, without clearance through the Administration in advance. The proposal in bill form was offered as "Confidential Committee Print No. 6," freely distributed to the press from the office of Senator Murray of Montana.

As a general rule the lefties have first sought to sell their bills of goods to the White House, or at least to an arm of the Administration customarily gifted with the power to initiate legislation in the form of requests to Congress. Then the Administration usually tries to sell the Congress. There is no evidence that this bill has the official and legal backing of any agency of the Executive establishment, although there is plenty of room to believe it is pleasing to Leon Keyserling of the Council of Economic Advisors, Interior Secretary Krug and his left-like, energetic Assistant, C. Girard Davidson, the public power boys, the proponents of regional development programs, and others.

A second tradition was broken when this bill proposed the creation of the planned economy in the single step of one piece of legislation. Heretofore the lefties have approached the all-powerful state in partial steps albeit powerful strides. However, the fact is that the so-called "Economic Stability Act of 1949," sent to Congress with the approval of the White House earlier this year, very nearly would have been a one-stage plunge into the state-controlled economy.

* * *

There is no satisfactory explanation of why the lefties failed to give the President the opportunity to back this particular proposal when Mr. Truman already has sponsored so many and such far-reaching proposals.

However, in Congress it is suggested that the President may not have read the earlier "Economic Stability Act of 1949," before that scheme went up in bill form to Congress. It is a cinch that nobody but the lefties read it, in any case, for there was an acute discomfort in many Administration quarters when the terms of that bill were given publicity.

Hence it is said to be possible that the lefties popped out their scheme without any Administration blessing for they saw no chance, at least for the immediate future, of getting any such blessing. They even gave inferential evidence of having given up hope of getting the Council of Economic Advisors to go along, for the bill would set up a National Economic Cooperation Board to perform the functions of the CEA, whilst leaving the CEA around to draw its pay and try to chime in with its advice when the new Board would listen.

Fact that this new scheme did not go through the CEA is read as a refutation of the frequently leftly wishful stories printed that Dr. Edwin G. Nourse, the more balanced, calm, and relatively conservative member and Chairman of the CEA, is to be hoisted in favor of some lefty who will see things Mr. Keyserling's way.

* * *

When the Senate the other day passed by unanimous consent the Maybank bill to establish an 18-man National Monetary Commission, it did so without knowledge that Treasury Secretary Snyder was opposed to this proposition.

While the Treasury Secretary's objection to the proposition was included in the print of the Banking Committee's report favoring passage notwithstanding, the Senate was not advised of the Treasury's opposition.

It is only customary to pass by unanimous consent those bills to which there is no substantial objection.

Mr. Snyder's official objection was based on the ground that a monetary study would possibly create domestic and exchange currency uncertainties that would outweigh the benefits of an exhaustive study at this time.

It is noted, however, that one of the chief concerns of any monetary study is the question of whether the Federal government is to pay its way and retire some of the debt, or go into deficit financing. For the time being the prospect is the latter. No recommendation of any commission, no matter how much prestige the commission commands, can resolve in advance the coming battle of 1950 between the spenders and the economizers.

Chairman Maybank of the Banking Committee, incidentally, advised the Senate that the Monetary Commission bill was introduced at the request of the Federal Reserve Board.

There is no present prospect of House approval this year of the Monetary Commission bill.

* * *

From the same Banking Committee of the Senate from which came the Monetary Commission proposition, there is likely to come much that is new and unusual. That committee plans to given a rumble to the "Veterans RFC" bill, introduced with the tongue-in-the-cheek sponsorship of many, as far back as 1946. Ths bill would provide government loans to put veterans in business.

The Senate Banking Committee also hopes to get going with the 1949 version of one of the oldest of Congressional indoor sports, a study of price spreads between raw materials and finished products at retail. In this case, however, the committee is likely to come in for a surprise, for business groups, anticipating the old demagogic racket, are prepared with detailed statistics showing just where the costs have gone in the retailers' dollar. The delay between the announcement by Chairman Maybank of his prospective hearings and Congressional approval of the money for the study has enabled business to get mobilized so that it won't be just a business pillorying show.

* * *

To get the basing point moratorium bill past the House it will be necessary, so it is reported, to get some combination of House members favorable to the bill, who collectively have a greater influence with Speaker Rayburn than does his fellow Texan, Rep. Wright Patman. It is Patman's violent opposition, according to reliable reports, which is holding up the bill. A similar proposition has been approved by the Senate and has been reported favorably by the House Judiciary committee.

Under such a bill individual firms following pricing practices in good faith and without acting in concert with other competitors, to absorb freight costs, will be granted immunity, at least purported immunity, from government prosecution for such practices.

Senator Joseph C. O'Mahoney, incidentally, sold the Senate the idea that there was no point in having a temporary legalization of freight absorption, and carried his case with the Senate. The theory of the moratorium for a year or so was to allow Congress next year to have time to enact permanent legislation. It is doubtful if Congress next year could get around to enacting any fundamental changes in the antitrust laws.

* * *

Although the Senate is going to puff and huff and blow and struggle to enact a revision of the Taft-Hartley act, the outlook for the final result is still the same as it has appeared for a long time—a law looking much more like Taft-Hartley than like what labor wants—if there is any new legislation at all.

It was, of course, the tirade of Phil Murray upon the Senate Democratic leadership's lack of Fair Deal production, which bestirred that leadership to getting action. On the other hand, all hands, Republicans and Democrats, conservatives and radicals, sort of have the feeling that they would like to get the doggone thing out of the way and not have it muddying up the political waters in 1950.

Again whether the Senate bill will look more rather than less like Taft-Hartley will depend upon the stand taken by New York's Senator Ives. who is much more aggressive than Senator Taft as a "me too but better" Republican.

In any case what both the House and Senate separately enact in the way of labor legislation will be far less palatable to union labor than what the conferees, who are pro-labor, will want. The conferees will probably try to trim the bill to suit labor more, and get in squabbles with their respective houses.

Then if a bill is finally approved by both Houses, it will fall far short of the President's willingness to compromise, which means that as before, Mr. Truman will have the unhappy choice of approving the law, and letting labor down, or vetoing the bill, and leaving Taft-Hartley the law of the land.

* * *

There is rather an off situation confronting farm legislation prospects. Virtually everybody in the Congress will admit there isn't a ghost of a chance for the Administration's direct farm income subsidy plan.

Yet almost every one with whom a reporter talks is convinced that something should be done to amend the Aiken law which, unless it is amended, comes into operation in calendar year 1950. The trouble, however, is that there are almost as many different ideas about how the Aiken law should be amended as there are members of the House and Senate committees on agriculture.

This would suggest that either (1) nothing will be done and the Aiken flexible support price system will come into operation, or (2) in desperation over trying to reconcile the varying viewpoints, Congress will extend the mandatory 90% price supports for another year or so.

* * *

Washington, a line at a time:

Watch for sentiment for Congressional adjournment to accelerate when the boys have to get out of their regular meeting places — a seasoned veteran is betting on a July 10 adjournment.

Best current guess is that the Mills plan to require corporations to pay all 1949 taxes by June 30, 1950, won't even place—will hit too many small corporations.

Government-subsidized rural telephone lines won't get a hearing in the Senate this year, even if they get by the House, but it is one of those kind of propositions "bound" to pass eventually unless the Congress really gets the economy religion.

Zinc and tungsten wont be procured any more this month or during the next fiscal year for government stock-piling.

Alcoa has been asked by the Armed Services to reactivate magnesium production for airplanes, to lighten aircraft weight to increase bomb and gas loads.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

". . . Well—yes—she IS busy filing, Boss!"